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September 30, 2008

Via Hand Delivery

The Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

OCT - 1 2008

Part of
Public Record



RE: STB Finance Docket No. 35160, Oregon International Port of Coos Bay—Feeder Line Application—Coos Bay Line of the Central Oregon & Pacific Railroad, Inc.

Dear Secretary Quinlan:

Enclosed for filing in the above-captioned docket please find an original and 16 copies of the Supplemental Reply¹ of the Oregon International Port of Coos Bay ("Port") regarding the Port's Feeder Line Application. An additional paper copy is included for date-stamping and return to the undersigned. We are also providing the filing to the Board on two sets of three of compact disks, one set with Public PDF files and one Confidential set with Word and Excel files.

The filing consists of three volumes. Volumes II² and III contain only Public information. Volume I contains entirely Public information except for two pages in Attachment B from the Supplemental Reply Verified Statement of Gene E. Davis that incorporate material that CORP has designated Confidential. Rather than creating a completely separate Confidential volume for this limited data, we have created a Confidential Volume I that only includes the particular pages that contain confidential redacted material. This Confidential Version of Volume I is being served under seal to the Board, counsel for Central Oregon & Pacific Railroad, and any party that has signed the Confidential Undertaking.

¹ The Board referred to this Supplemental filing as a "supplement to rebuttal" in its decision on September 10, 2008. However, due to 49 CFR § 1151.2(f), the Port termed its Sept. 12, 2008 filing a "Reply, and will call this filing a "Supplemental Reply "

² While the binding of the various volumes was underway, it became apparent that Volume II would not fit in one binding, therefore Volume II has been separated into Volume II-A and Volume II-B.

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The Honorable Anne K. Quinlan
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For the service copies of Volume II and III (i.e., copies to parties other than the Board and counsel for CORP), we are providing these volumes only on compact disk. These volumes contain Attachments 2-5 of the bridge report and will be provided in paper format to any party that so requests. Volume I of the Supplemental Reply is being served in paper copy to all parties of record and contains the main text of the Port's Supplemental Reply, verified statements, a summary of the bridge report, and the tunnel report.

Please feel free to contact me if you have any questions.

Very truly yours,


Sandra L. Brown

Enclosures

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

ENTERED
Office of Proceedings

OREGON INTERNATIONAL PORT OF COOS BAY OCT - 1 2008
—FEEDER LINE APPLICATION—
COOS BAY LINE Part of
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC. Public Record

**SUPPLEMENTAL REPLY OF THE
OREGON INTERNATIONAL PORT OF COOS BAY**

VOLUME I of III

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September 30, 2008

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Exhibit 4 – Tunnel Report of Shannon & Wilson, Inc.

Volume II-A

Attachment 2 of the Bridge Report

Volume II-B

Attachments 3 and 4 of the Bridge Report

Volume III

Attachment 5 of the Bridge Report

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY OF THE
OREGON INTERNATIONAL PORT OF COOS BAY**

I. INTRODUCTION

The Oregon International Port of Coos Bay ("Port") respectfully submits this Supplemental Reply to the comments received by the Surface Transportation Board ("STB" or "Board") regarding the Port's Feeder Line Application ("Application"), which was filed July 11, 2008, and the Port's Supplement to Feeder Line Application ("Supplement"), which were filed August 8, 2008. The Port files this Supplemental Reply pursuant to the Board's decision ("Decision") served September 10, 2008 in this docket. The Port previously filed its Reply on September 12, 2008. As shown in the Application, the Supplement, the Reply, and this Supplemental Reply, the Board should use its authority under 49 USC § 10907 to order the sale of the Coos Bay Line (the "Line") of the Central Oregon & Pacific Railroad, Inc. ("CORP") to the Port under the feeder line railroad development program at the price and with the conditions set forth in both this Supplemental Reply and, where applicable, the prior Reply.

II. BACKGROUND AND SUMMARY OF SUPPLEMENTAL REPLY

In this Supplemental Reply, the Port will not repeat the background of the feeder line case, Docket 35160, the abandonment and discontinuance of service application of CORP, Docket AB-515 (Sub-No. 2), or the Show Cause proceeding, Docket 35130. A factual background has already been provided in Port's Reply in the Show Cause Proceeding (filed June 3, 2008), the Port's Application (filed July 11, 2008) in this docket, the Port's Supplement (filed August 8, 2008) in this docket, the Port's Reply (filed September 12, 2008) in this docket, and the Port's Comments regarding CORP's proposed abandonment and discontinuance of service (filed August 28, 2008). Again, the Port requests that the Port take administrative notice of prior evidence submitted in these related proceedings.

In its September 12th filing, the Port substantially replied to comments on the Port's feeder line application from CORP (whose comments filing was titled a "Response"), the State of Oregon, and the Coos-Siskiyou Shippers Coalition. As recognized in the Board's Decision from September 10th, the Port's ability to reply was limited because the Port was not able to complete a tunnel and bridge inspection prior to filing the Reply. The Decision gave the Port the opportunity to inspect the tunnels and bridges on the Line, as well as file a Supplemental Reply regarding the results of that inspection. The filing of this Supplemental Reply is scheduled to close the record in this proceeding and puts the fate of the only rail line to the south coast region of Oregon into the Board's hands. The Port remains ready, willing and able to purchase this Line.³ See Exhibit 1, Supplemental Reply Verified Statement of Jeffrey Bishop ("S.R.V.S. Bishop")

³ At 4:00 pm yesterday, the Port's counsel was served with CORP's over 200-page "Supplemental Response" and CORP's Motion for Leave to file the out of order document. The derogatory tone adopted by CORP appears to resonate even stronger in these documents. CORP once again claims to be "sandbagged" by the Port (ironic coming from the railroad that

As addressed in part VI below, the net liquidated value ("NLV") of the Line's track assets is now, based upon current steel prices, approximately \$6.4 million. Exhibit 2, Supplemental Reply Verified Statement Gene E. Davis, P.E. ("S.R.V.S. Davis"). The NLV of the Line including real estate is \$7.3 million. Reply at 7 (NLV of real estate is \$910,000). This NLV is based upon overwhelming evidence showing that, in the event that this Line is abandoned, the owner would be required to remove at least the Umpqua and Siuslaw bridges. The Port also believes that the full costs associated with the abandonment and removal of all bridges on the Line, which traverses critical habitat and waters with protected species, should be included in the NLV. Nevertheless, the Port's expert has not included these full costs into the track asset NLV because it would create a negative NLV. However, as discussed below, if the Board is unwilling to fully factor in these true costs today because it creates a NLV with a negative value, the Board should consider an apportionment of the future liability of these costs between the Port and CORP.⁴

sandbagged the entire south coast region of Oregon by giving less than 24 hours notice before shutting down the only rail line to the region and stranding customer shipments). Now CORP is claiming that the Port has engaged in "outright falsehoods" and conflicts of interest. As discussed in the S.R.V.S. Bishop, contrary to CORP's claim, the Port has not said that it "refused" to incur debt to save the Line, the Port stated in its August 8th Supplement that incurring debt might not be prudent, yet CORP chose not to address this issue in its August 29th filing. The Port's September 12th filing merely elaborated on this issue but again did not say the Port "refused" to incur debt. The Port will review and respond as appropriate to CORP's inflammatory reply to reply.

⁴ Based on CORP's *motus operandi*, the Port expects that CORP will file another improper reply to a reply claiming that it was "sandbagged" by this and all other material in the Port's Supplemental Reply. The Port's filings have expanded upon its Feeder Application and replied to issues raised by CORP and other parties in this and the related proceedings and CORP's claims of sandbagging speaks volumes about their lack of interest this Line or the south coast region of Oregon. Since the feeder line regulations provide that the Applicant gets to close the record, if the Board accepts any of CORP's impermissible reply to reply, the Board should afford the Port the opportunity to respond to CORP's additional allegations.

Likewise, as the Port raised in its Feeder Application at pages 48-54, the Board should order CORP to pay for the repairs needed to reopen the Line. Furthermore, the Port raised the issue of damages and CORP's failure to maintain the tunnels back in June 3, 2008. Show Cause Reply at 48-49. At that time in June and at the filing of the Feeder Application in July, the Port had been refused access to the Line and the Port was not aware of the equally drastic condition of the bridges on the Line. It is now abundantly clear that CORP violated its common carrier obligation with respect to this Line. As the evidence has developed in this case, it has become even more apparent that CORP made a conscious decision to not make the infrastructure repairs needed to keep the Line open. Furthermore, this information was kept hidden and CORP further violated the Board's statute by failing to use its System Diagram Map or even tell the shippers, the Port, or the State that the investments being made by these entities in the Line were in jeopardy because of CORP's inactions. The Port has now had the opportunity, after being forced to file a Motion to Compel, to further inspect the tunnels and bridges and the Port has found, based upon many of CORP's own assertions to the stakeholders and updated by the new inspections, that \$15.388 million is needed just to restore service and this amount should be placed into escrow

As the Board is aware, the condition of the tunnels and bridges on the Line has been a matter of key concern to the Port throughout this proceeding. The Line traverses wetlands, coastal areas, numerous rivers, and other bodies of water in the 133 route miles from Danebo to Coquille.⁵ There are 107⁶ bridges on the Line, including 63 bridges of over 100 feet (CORP

⁵ CORP owns 111 route miles and operates on the other 22 miles from Cordes to Coquille pursuant to an agreement with Union Pacific Railroad. CORP Abandonment Application at 1.

⁶ In prior filings, the Port reported this number as 174. The Port has since learned that this number inadvertently counted the bridges on the Coquille segment and counted some bridge segments as more than one bridge structure.

Response at 63); they are constructed variously of timber, steel, and concrete. Many of these bridges were built around 1914 and the Port has now learned that the bridges have suffered deferred maintenance similar to the Line's tunnels which CORP claimed as the reason for the embargo. During the autumn of 2007, CORP claimed that \$6.75 million in bridge repairs was needed before rail service could resume. Additionally, CORP claimed that another \$3.75 million in bridge repairs would be necessary over the ensuing 26 months. Lastly, CORP claimed the cost of ongoing bridge maintenance would be expensive. As shown in the bridge report prepared by David Evans & Associates ("DEA"), see Bridge Report at Volume I, Exhibit 3 and Volume II and III of this Supplemental Reply ("Bridge Report"), the cost of bridge repairs needed to reopen the Line is \$9.2 million. S R.V.S. Bishop at 2.

Similarly, the tunnels on the Line are crucial to re-starting operations on the Line. Indeed, CORP cited tunnel deterioration and safety concerns as the main reasons for the embargo in September 2007. During the autumn of 2007, CORP claimed that \$2.86 million in repairs was needed in tunnels 13, 15, and 18 before rail service could resume. Additionally, CORP claimed that another \$3.82 million in tunnel repairs would be necessary over the ensuing 4 years, and an additional \$3 million for tunnel drainage. Reply, Exhibit 25. The condition of the tunnels, including the rehabilitation costs necessary to restart rail service, is a key factor as the Port evaluates whether it will purchase the Line. As shown by the tunnel report prepared by Shannon & Wilson, see Supplemental Reply Volume I, Exhibit 4 ("Tunnel Report"), the cost to re-open the tunnels is now over \$3 million and the cost of the Phase II tunnel repairs has increased by \$1.4 million, from \$3.82 million to \$5.21 million.

III. BRIDGES BETWEEN DANEBO AND CORDES

In part because of the anticipated Board decision on September 10, 2008 and to gather information needed by the parties, the Port and the Oregon Department of Transportation (“ODOT”)⁷ engaged DEA, an Oregon-based engineering firm with significant experience in bridge repair, replacement, and rehabilitation. DEA has previously advised the Port on the Coos Bay rail bridge rehabilitation. In this feeder line case, DEA also provided the Port with testimony regarding environmental permitting applicable to bridge removal as well as cost estimates regarding environmental permitting for removal of the Umpqua and Siuslaw River Bridges. S.R.V.S. Bishop at 3; Application at 131-132; Reply at Exhibit 5. DEA engaged in a multi-day on-site inspection of the bridges on the Line, from September 12, 2008 to September 18, 2008, beginning with attendance at CORP’s safety briefing on September 12th.

The Port retained DEA to evaluate the bridges on the Line so that the Port could appropriately reply to CORP’s Response. In particular, CORP had argued that the Port’s bridge removal costs for the Umpqua and Siuslaw River Bridges were too high. CORP Response at 41-54. The Port also wanted more information about the bridges so that it could reply to CORP’s contention that CORP adequately maintained the Line through capital spending and track, bridge, and crossing maintenance. CORP Response at 63-66. CORP also asserted that it should not have to pay any amount, whether through escrow or otherwise, for any rehabilitation of the Line. CORP Response at 55 and 59-60. As described in this Supplemental Reply, the DEA bridge inspection was conducted to reply to these various contentions. In addition, the DEA

⁷ Earlier this year, ODOT retained DEA and Shannon & Wilson to assist ODOT in assessing the condition of all rail lines in Oregon and taking a particular look at the bridges and tunnels across the state. The Port and ODOT collaborated on the undertaking that would be done on behalf of ODOT for this Line and the Port expanded these services as needed at this time. Because of the work that DEA and Shannon & Wilson are doing across the state, they have unique and comprehensive perspective on the railroad tunnels and bridges in Oregon.

inspection also aids the Port further in its decision-making about whether purchase of the Line is feasible (Decision at 3), and allows the Port to further respond to the Board's request for information about an escrow fund (see Port Comments in Abandonment case at 19-28). S.R.V.S. Bishop at 3-4.

A. Condition Of The Bridges Is Crucial

Throughout the related proceedings in the Show Cause Hearing, the Abandonment case, and this Feeder Line case, the Port has frequently expressed its concern regarding the condition of the Line's infrastructure. *See, e.g.*, Port Show Cause Reply at 27-28 and 41; Application at 30-31, 36, 50, 54, and 144; Supplement at 5-8; Port Abandonment Comments at 19-28; Port Motion to Compel (Aug. 29, 2008), especially Exhibits 1, 4, and 11; Reply at 69-74. One crucial aspect of the Line infrastructure is the condition of the many bridges on the Line. There are 107 bridges on the Line. As depicted in color photographs in CORP's abandonment application, the Port's Reply and now in greater detail in DEA's Bridge Report in this Supplemental Reply, there is great variety in the types of bridges and construction materials on the Line. CORP Abandonment Application, Exhibit 4 at pages 6-74. There are timber bridges, steel bridges, concrete bridges, and bridges that include a combination of materials. Reply Volume III (Exhibit 30) at CORP001198-001202 (list of bridges on the Line). The one consistency is that bridge repairs are needed on the majority of the bridges before the Line can be re-opened.

As the owner of the Coos Bay rail bridge, the Port does not dispute that bridges are expensive to maintain and/or rehabilitate, so the current condition of the bridges is critical to the Port's understanding of how CORP's deferred maintenance has negatively impacted bridge condition and the ability to even provide rail service before significant repairs are made. Having more knowledge about the Line's bridges also aids the Port's decision-making process regarding

what will be needed to successfully re-open the Line and provide rail service for the long-term S.R.V.S. Bishop at 4; Application at 30-31 and 144; Supplement at 7; Port Motion to Compel at 2 and 11-12. *Cf.* Common Carrier Obligation Hearing, Ex Parte 677, Transcript at 213 (April 25, 2008) (Chairman Nottingham notes that a prospective rail line owner should always check the large bridges before purchase).

While CORP previously stated that \$6.75 million in bridge repairs is needed before rail service on the Line can begin again (Port Show Cause Reply, Exhibit 23 at pages 5-7; Reply at 71-72), the bridge inspection completed by DEA revealed that \$9,211,395 in bridge rehabilitation is actually needed. Bridge Report at 5, 11. This \$9.2 million figure includes repairs that Osmose and DEA deem Priority 2 – meaning “condition unsafe and could cause failure at any time.” *Id.* at 3. DEA also found that the deferred bridge maintenance revealed in CORP’s discovery documents is reflected in the physical condition of the Line. As noted by the Port in its Reply, documents received from CORP after the filing of the Application reveal that CORP did not undertake the numerous critical bridge repairs recommended by CORP’s bridge contractor Osmose in early 2007. Reply at 71-72. Osmose listed numerous bridge conditions that were “unsafe and could fail at any time” and which should be repaired “as soon as possible.” Reply, Volume III (Exhibit 30) at CORP001195-001197. In its Abandonment Rebuttal (filed September 12, 2008), CORP noted that it made some repairs in the fall of 2007 at one bridge noted on the Osmose list. CORP Rebuttal at 37. *See also* Reply, Exhibit 26. However, Osmose recommended repairs to 15 other “unsafe” bridges CORP001195-001197. Moreover, documents produced by CORP reveal a final 2005 bridge repair record and a final 2006 bridge repair record, but no similar record for 2007. Reply, Volume III (Exhibit 30) at CORP003643-003660. DEA found that less than 1% of the repairs recommended by Osmose in 2005 were

completed by the time of the Osmose 2007 report and remain un-repaired to date. Bridge Report at 2. Thus, the evidence shows that CORP neglected bridge repairs prior to and during the embargo, and that those repairs are necessary to restart rail service. S.R.V.S. Bishop at 4-5.

B. Removal Of The Umpqua And Siuslaw River Bridges

The bridge inspection and cost evaluation completed by DEA confirms the Port's conservative calculation of the cost to remove the Umpqua and Siuslaw River Bridges. Bridge Report at 13 and 14 and Application (Davis workpapers); Reply at Exhibit 1, Attachments J and K. DEA places the cost to remove these bridges at \$3.7 million for the Siuslaw bridge and \$6.2 million for the Umpqua bridge. Bridge Report at 13 and 14. Notwithstanding that DEA's estimates for bridge removal are higher than Mr. Davis' estimate, the Port has once again used Davis' more conservative estimate, which is largely based upon CORP's evidence. Under this conservative method, the cost to remove these bridges is \$7.76 million, which consists of \$4,544,500 for the Umpqua bridge and \$3,213,900 for the Siuslaw bridge. Exhibit 2, S.R.V.S. Davis, at Attachments J and K.

By direction of the Commandant, the U.S. Coast Guard recently confirmed to U.S. Senator Ron Wyden that the abandonment of the Coos Bay Line would result in the Coast Guard finding that the bridges over navigable waters are no longer used for transportation and thus the Coast Guard would notify the owner that the bridge is in violation of federal law and constitutes an unreasonable obstruction to navigation. S.R.V.S. Bishop at 6 and Attachment D

C. NLV Impact – Removal of Bridges Due to Threatened or Endangered Species

Allowing abandoned and decaying timber, steel, or concrete bridges to remain on the Line after abandonment would be ultimately harmful to the environment and any threatened or endangered species in the waters impacted by the bridges. If these bridges were abandoned,

driftwood and debris would likely cluster at the base of the superstructure and, eventually, cause clogging of rivers and streams. Reply, Volume III (Exhibit 30) at CORP001396-001397 (photograph showing driftwood piled up against timber bridge supports and Osmose notice that this condition is “unsafe” [under document CORP001211] and must be removed). Once clogged, these rivers and streams could no longer allow salmon and other species to travel upstream for spawning. Cf. Comments of Port of Siuslaw, August 20, 2008 in Docket AB-515 (Sub-No. 2) and FD 35160; Environmental Comments of Oregon Department of State Lands (July 14, 2008), Port of Siuslaw (July 15, 2008), and City of North Bend (July 23, 2008) in Docket AB-515 (Sub-No. 2).

Bridges with timber supports also pose a potential danger to aquatic life due to the use of creosote as a wood preservative. Creosote can leach from timbers to waterways and then affect aquatic life.⁸ While not a volatile chemical, the International Agency for Research on Cancer has determined that creosote is probably carcinogenic to humans.⁹ In addition to the parties noted above that have expressed concern with the bridge impact to threatened and endangered species, comments were filed on this issue by members of the Oregon Chapter of the Sierra Club, Siuslaw Watershed Council, and the Lane County Board of Commissioners. Moreover, in part because of the Port’s concern of what it will inherit from CORP should the Port acquire the Line, the Port contacted the Army Corps of Engineers (“Corps”) to gain an understanding of the regulatory requirements that would apply to abandonment of the Line. The Corps responded to Mr. Bishop by letter dated September 12th and confirmed that bridge removal may be

⁸ See report titled, “Creosote-Treated Wood in Aquatic Environments: Technical Review and Use Recommendations” at pages 4-2 to 4-14, prepared for the National Marine Fisheries Service and available at http://swr.nmfs.noaa.gov/wood/Creosote_Report-final.pdf.

⁹ See creosote fact sheet at <http://www.atsdr.cdc.gov/tfacts85.pdf>.

accomplished by a Nationwide Permit (“NWP”) but that qualifying for the NWP does not relieve the applicant of being encumbered with conditions or relieve the applicant from compliance with the Endangered Species Act and cultural resources laws. S.R.V.S. Bishop, Attachment A. In addition, the Corps specifically stated that coordination would be necessary with the National Marine Fisheries Service (“NMFS”) and the U.S. Fish and Wildlife and the applicant would have to comply with the National Historic Preservation Act (“NHPA”). The NMFS has informed the Board that the bridges on this Line are located within designated critical habitat. S.R.V.S. Bishop, Attachment B. In addition, the Oregon State Historic Preservation Officer has stated that the Line is eligible as a linear district under NHPA. S.R.V.S. Bishop, Attachment C; Reply, Exhibit 21. The sum of the evidence before the Board overwhelmingly establishes that in the event of an abandonment of this Line, bridges in navigable waters and bridges with contaminants (such as creosote) impacting critical habitat will need to be removed. Furthermore, because of the potential NHPA designation, the removal will need to be documented according to the Historic American Engineering Record. The Port should not be forced to potentially pay twice for these costs that are inextricably tied to the Line. If these costs are not deducted from the value that the Port must pay CORP to purchase the Line, then the Port will in effect be doomed to potentially pay for these costs again if in the future some catastrophic event required the Port to abandon this Line. S.R.V.S. Bishop at 6-7.

Aware of the creosote danger, and with the goal of determining the true value and costs associated with owning the Line, the Port also asked DEA to determine the cost to remove all bridges on the Line that are located in waterways with threatened or endangered species, or located in waterways that drain into waterways with threatened or endangered species. S.R.V.S. Bishop at 6. DEA estimates the removal cost in 2009 dollars is approximately \$21 million for

the bridges over water on the Line, not including contingency and mobilization. Bridge Report at 15. The Umpqua and Siuslaw bridges account for approximately \$10 million of this removal cost. *Id.* at 12-15. This leaves approximately \$11 million (or 52% of the bridge removal costs) as a potential contingent liability should the Port acquire this Line. Unfortunately, the Port has been advised that the Board may be reluctant to set a negative NLV for a rail line and inclusion of these true costs associated with an abandonment of this Line would result in a negative NLV of the track assets of \$4.6 million. Therefore, the Port's expert has not deducted these costs from the track asset NLV. S.R.V.S. Bishop at 7; S.R.V.S. Davis at 3-4. While these full costs associated with the abandonment are not included in the track asset NLV provided by Mr. Davis, the Port implores the Board to not engage in a miscarriage of justice by letting CORP escape these costs associated with this Line and thereby saddling the Port with the potential of paying for these costs twice. If the Board is unwilling to fully factor in these true costs today because it creates a NLV with a negative value, the Board should consider an apportionment of the future liability of these costs between the Port and CORP. To the extent that any bridge removal costs are not included in the NLV today, the Board should impose as a condition of the sale that CORP will remain liable for the percentage of bridge removal costs in the future. For example, if the Board only includes the bridge removal costs for the Siuslaw and Umpqua bridges, then CORP would remain liable for 52% of the future bridge removal costs. If CORP truly believes that it would not be required to remove all the bridges on the Line in the event of abandonment, then CORP should not be opposed to this condition as it would create no liability for CORP under CORP's theory. S.R.V.S. Bishop at 7.

IV. TUNNELS ON THE LINE

On September 12 to 13, 2008, tunnel experts Shannon & Wilson evaluated the Line's tunnels in an effort to update the previous Shannon & Wilson inspections in March 2007 and 1994.¹⁰ Shannon & Wilson has now determined that \$3,099,049 in repairs is needed to rehabilitate the Line's tunnels sufficiently before rail service can begin again; this is an increase of \$234,049 from the \$2.865 million previously found by Shannon & Wilson in the summer of 2007. CORP Abandonment Application, V.S. Lundberg, Attachment 1 Shannon & Wilson attributes this increase in repair cost to additional deterioration and cost escalations since 2007. Tunnel Report at 1.

The Port wanted Shannon & Wilson to evaluate the tunnels on the Line so that the Port could appropriately reply to CORP's Response.¹¹ S.R.V.S. Bishop at 7. In particular, CORP argued that the tunnels' deterioration was due simply to their age and not due to any failure of maintenance. CORP Response at 55 and 60-61. The Port also wanted more information about the tunnels so that it could reply to CORP's contention that it adequately maintained the tunnels on the Line. CORP Response at 66-68. CORP also asserted that it should not have to pay any

¹⁰ The Port received its copy of the 1994 Shannon & Wilson tunnel assessment from CORP. Port Show Cause Reply Exhibit 7. CORP continues to assert that it did not know of the 1994 report at the time the Line was purchased in late 1994. *See, e.g.*, CORP Feeder Line Response at 62; CORP Abandonment Rebuttal at 34. CORP's assertions are irrelevant – the key fact is that, as the Port has shown, CORP fully accepted the condition of the Line at the time of purchase and became responsible for whatever repair needs may have existed at that time. Port Show Cause Reply at 12-13; Port Feeder Line Reply at 10-12. Moreover, if CORP was unwilling to make the repairs and maintenance needed for long term service, CORP was obligated to list the Line on its System Diagram Map and provide notice that the Line was in jeopardy.

¹¹ The Port used Shannon & Wilson because of their expertise and because they were the most familiar with these tunnels. However, Shannon & Wilson expressed reservations about being retained directly by the Port in this proceeding and thus the Port and ODOT were able to work out an expansion of the work to be performed for ODOT that would serve both ODOT and the Port's tunnel expert needs at this time.

amount, whether through escrow or otherwise, for any rehabilitation of the tunnels. CORP Response at 55-58. Lastly, CORP contended that the condition of the Line's tunnels was irrelevant to the NLV of the Line. CORP Response at 56. As described in this Supplemental Reply, the Shannon & Wilson tunnel inspection was conducted to reply to these various contentions. In addition, the Shannon & Wilson inspection also aids the Port further in its decision-making about whether purchase of the Line is feasible (Decision at 3), and allows the Port to further respond to the Board's request for information about an escrow fund (see Port Comments in Abandonment case at 19-28). S.R.V.S. Bishop at 8-9.

As with the bridges, the Port has repeatedly stated throughout all related proceedings over the last year that the condition of the tunnels is a key factor in several areas: evidencing the CORP neglect of the Line, affecting the Port's decision whether to purchase the Line, and impacting how much rehabilitation will be needed (and the level of funds to be placed in escrow). Port Show Cause Reply at 11-22 and 28; Application at 48-54; Supplement at 5-8; Reply at 10-14 and 69-74. The selection of Shannon & Wilson to verify the current condition of the Line's tunnels is appropriate because Shannon & Wilson (1) is familiar with the Line's tunnels, having completed reports in 1994 and 2007; (2) was selected by CORP itself in 2007; and (3) has been relied upon by CORP as the basis for the embargo.

While Shannon & Wilson projects that immediate tunnel repairs would cost over \$3 million, the Port is aware of CORP's prior experience regarding tunnel repairs when CORP discovered that a tunnel repair plan may suddenly escalate in scope and expense if the repairs trigger a collapse. CORP Show Cause Response at 7; CORP Abandonment Application at 8-9, CORP Response at 66-67. Based upon CORP's experience, a factor of 4.533 should be applied to tunnel repair projections as a contingency for collapses that might be triggered by the repairs

That is, CORP projected that the tunnel 15 repairs in the fall of 2006 would cost \$350,000 to \$400,000, but they ended up costing \$1.7 million after the initial repairs triggered a collapse. Hence, the eventual repairs (\$1.7 million) were 4.533 times greater than the projected repairs (\$375,000). Due to CORP's experience, the Board would be justified in ordering the escrow fund to be \$14 million just for tunnel repairs, or 4.533 times the amount projected by Shannon & Wilson.

V. THE BOARD MUST ESTABLISH AN ESCROW ACCOUNT

Based upon the recent evaluations of DEA and Shannon & Wilson, the funds required to rehabilitate the Line sufficiently to allow rail service to resume must be increased from the \$12.669 million stated by CORP in November 2007 and repeated by the Port in its Reply (page 71) to \$ 15.388 million. S.R.V.S. Bishop at 8-9. The need for additional repairs beyond those estimated by CORP's experts over a year ago¹² is not unusual or unexpected – these additional rehabilitation costs simply reflect additional decay that has occurred during the embargo. As the Port noted previously, CORP has admitted to not engaging in any regular maintenance of the Line during the embargo other than clearing some downed trees. Reply, Exhibit 11 at Interrogatory 21. In addition, as reported by Shannon & Wilson further damage to Tunnel 13 has occurred because of CORP's ineffective tunnel closure. Tunnel Report at 1-3.

The increase of monies for the escrow account is driven by the increase in cost estimates for the repairs because of the passage of time, further deterioration and increase of market costs, for the bridge and tunnel repairs needed to re-open the Line. According to DEA, the bridge rehabilitation costs for resumption of service should be \$9.2 million, an increase from the \$6.75

¹² CORP based its assertion that \$6.75 million is needed to repair the bridges to re-open the Line on a bridge evaluation conducted by Osmose in February 2007. Similarly, the tunnel repairs needed are based on the Shannon & Wilson Report from July 2007 Reply at 71-72.

million stated by CORP in November 2007. The \$9.2 million figure represents Priority 2 repairs, which are intended to remedy conditions which are deemed unsafe and could cause failure at any time. In addition, DEA has estimated that an additional \$40,775 will be needed for other deteriorated conditions that will occur during the next 6 months while the Line continues to be ignored by CORP. Bridge Report at 5. The tunnel repair costs needed before service could resume are now \$3.0 million, an increase from the \$2.86 previously stated by CORP and Shannon & Wilson.

In light of these additional costs associated with additional deterioration, damage or increases costs for the repairs, the Port requests that the amounts discussed below be placed in escrow to pay for the repairs to re-open the Line that CORP has neglected prior to and during its unlawful embargo. The escrow account should be for \$15.388 million and consist of:

- \$3.099 million to conduct immediate repairs to Tunnels 13, 15, and 18, *see* Tunnel Report;
- \$9.2 million to conduct critical bridge repairs for conditions that are “unsafe” or “could cause failure at any time,” *see* Bridge Report;
- \$2.42 million to engage in “require[d] tie replacement,” *see* Port’s Reply dated September 12, Exhibit 25 at 5 and 7; and
- \$0.669 million to conduct surfacing of ties, *see* Port’s Reply dated September 12, Exhibit 25 at 5 and 7.

The Port will maintain records of the actual costs associated with the repairs outlined in these reports as necessary for the re-opening of the Line and will agree that any funds left in the escrow upon completion of these repairs can be returned to CORP. The Port recognizes that these escrow costs would exceed the Port’s NLV provided in this Supplement Reply and thus the Board may be limited because of this on the amount that can be placed in escrow. The Port will factor this determination into the full cost associated with acquiring, re-opening and operating

this Line and on the Port's decision on whether it should acquire the Line under the terms set by the Board. S.R.V.S. Bishop at 9.

The escrow amount documented by the Port does not include other costs that will be borne by the Port in the event that it purchases the Line and moves toward re-starting rail service. As described by the Port's witnesses Charles Banks and Gene A. Davis in the Reply, over \$1 million in other start-up costs exist. R.V.S. Banks/Davis at Attachment B (showing costs such as grade crossing work and track clearing). Furthermore, the escrow does not include the Priority 3 and 4 repairs needed on the bridges which is estimated to be \$28.5 million, nor does it include the total bridge rehabilitation cost estimated to be \$119 million. Bridge Report at 11 and S.R.V.S. Bishop at 10. . Likewise, this escrow account will not cover the more than \$5 million of additional repairs needed for the tunnels within the first four years of operation. Tunnel Report at Table 11.

VI. THE NLV OF THE LINE MUST BE REDUCED BECAUSE OF FALLING STEEL PRICES

The Port has updated its net liquidation value ("NLV") calculations based on the most up-to-date steel prices available. Precedent shows that the Board prefers more recent valuation data in feeder and OFA cases. *Caddo Antoine and Little Missouri Railroad Company – Feeder Line Acquisition – Arkansas Midland Railroad Company Line between Gurdon and Birds Mill, AR*, Docket 32479, slip op. at 14-16 (served August 12, 1999) (Board avoids old data in favor of recent data for calculation of going concern value, and also suggests that more recent NLV data would have been preferred); *CSX Transportation, Inc. – Abandonment Exemption – in LaPorte, Porter, and Starke Counties, IN*, Docket AB-55 (Sub-No. 643X), slip op. at 6-7 (served April 30, 2004) (Board uses updated steel price values for OFA sale even though railroad should have submitted the data earlier); *Keokuk Junction Railway Company – Feeder Line Acquisition – Line*

of Toledo, Peoria and Western Railway Corporation Between La Harpe and Hollis, IL, Docket 34335, slip op. at 14-15 (served Oct. 28, 2004) (“*KJRY-TPW*”), as revised Feb. 7, 2005, *affirmed Toledo, Peoria & Western Railway v. Surface Transportation Board*, 462 F.3d 734, 745-749 (7th Cir. 2006), *cert denied*, 2007 U.S. Lcxis 3030 (March 19, 2007) (Board uses updated steel prices submitted after end of procedural schedule). CORP itself has argued that the Board should use more recent data. CORP Response at 38 (castigating the Port for using “outdated price data” even though the data was based upon the date that the Port inspected the Line).

To calculate the NLV of the track assets, the Port relied upon current relay steel values quoted by leading railroad material suppliers and current scrap, re-roll, and OTM steel values from the American Metals Market (“AMM”) index. As described in the S.R.V.S. of the Port’s witness Gene A. Davis (Exhibit 2), the closing prices on the AMM are not available until early the morning of the next business day. Hence, the Port used scrap, re-roll, and OTM prices from September 26, 2008, which only became available in the early morning hours of September 29. The relay steel prices are from A&K Railroad Materials and Menard’s Railroad Materials for September 26, 2008. S.R.V.S. Davis at 2-3.

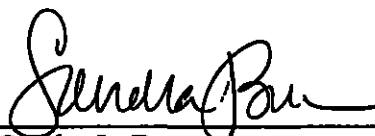
Based on the updated figures, the NLV of the track assets of the Line is \$6,415,779 as of September 26, 2008. When added to the real estate value of \$910,000 from the Port’s Reply (page 7), the total NLV of the Line is \$7,325,779 as of September 26, 2008. S.R.V.S. Davis at 4. The Port is aware that the Board has sometimes used averaged steel prices over a given time period. Reply at 7 and 15-20. *See also KJRY-TPW*, Docket 34335, slip op. at 14-15 (served Oct. 28, 2004). CORP has likewise recognized this fact, and has itself offered averaged NLV values to the Board. CORP Response at 39, V.S. Pettigrew at 17, and Pettigrew Attachments 5-7. Hence, the Port has also created NLV, Option #2, which is based on the composite monthly

average of scrap, re-roll, and OTM prices from September 21, 2007 (the date of the embargo) to September 26, 2008 NLV Option #2 uses current relay prices, which, again, are from major railroad material suppliers for the price quoted on September 26, 2008. Under this NLV Option #2, the value of the Line's steel assets is \$5,721,603 million. When added to the real estate valuation of \$910,000, the NLV of the Line under Option #2 is \$6,631,603 million. R.S.V.S Davis at 5. As stated in Mr. Bishop's verified statement, the Port has offered to buy this Line at its true NLV. S.R.V.S Bishop at 10.

VII. CONCLUSION

The Port appreciates the opportunity to supplement the record based on an inspection of the bridges and tunnels. As shown above and in the Port's previous filings, the Board should order the sale of the Line to the Port at the value set forth in this Supplemental Reply, with an appropriate amount of the purchase price placed in an escrow account so that rehabilitation of the Line can occur and service to the entire Line can be restored.

Respectfully submitted,



Sandra L. Brown

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*Counsel for the Oregon International
Port of Coos Bay*

CERTIFICATE OF SERVICE

This is to certify that on this 30th day of September 2008, I caused the foregoing Supplemental Reply regarding the Feeder Line Application in STB Finance Docket No. 35160 to be served upon all parties of record in this proceeding.



David E. Benz

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF JEFFREY BISHOP**

Exhibit 1

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF JEFFREY BISHOP**

My name is Jeffrey Bishop. I am the Executive Director for the Oregon International Port of Coos Bay ("Port"), which is located in Coos Bay, Oregon. I am qualified and authorized to offer this Verified Statement on behalf of the Port in the above-captioned proceeding. My testimony concerns the Port's feeder line application to acquire the Coos Bay rail line of the Central Oregon & Pacific Railroad ("CORP").

My background and experience are provided in the Verified Statement I submitted with the Port's Feeder Application on July 11, 2008. In addition to my Verified Statement filed July 11, 2008 in this proceeding, I also filed a Supplemental Verified Statement in this proceeding on August 8, 2008 and a Verified Statement with the Board as part of the Port's Reply in the "Show Cause" Proceeding in Finance Docket No. 35130 (filed June 3, 2008).

The Port is extremely appreciative of the time and effort that the Board has put into these proceedings involving the Coos Bay Line to date. The Port is especially appreciative of the Board's September 10, 2008 decision granting the Port's Motion to Compel and providing the Port with the ability to have bridge and tunnel experts inspect these structures and provide the

Port the opportunity to supplement its Reply. The filing of this Supplemental Reply is scheduled to close the record in this proceeding and will put the fate of the only rail line serving the south coast of Oregon into the Board's hands.

The condition of the tunnels and bridges on the Line has been a matter of key concern to the Port throughout this proceeding. The Line traverses wetlands, coastal areas, numerous rivers, and other bodies of water in the 133 route miles from Danbo to Coquille. There are 107 bridges on the Line, including 63 bridges of over 100 feet, and they are constructed variously of timber, steel, and concrete. Many of these bridges were built around 1914 and the Port has now learned that the bridges have suffered deferred maintenance similar to the tunnels which CORP claimed as the reason for the embargo of the Line over one year ago. During the autumn of 2007, CORP claimed that \$6.75 million in repairs was needed for the Line's bridges before rail service could resume. Additionally, CORP claimed that another \$3.75 million in bridge repairs would be necessary over the ensuing 26 months. Lastly, CORP claimed the cost of ongoing bridge maintenance would be expensive. As shown in the bridge report prepared by David Evans & Associates ("DEA"), see Bridge Report at Volume I, Exhibit 3 and Volume II and III of this Supplemental Reply ("Bridge Report"), the cost to remedy unsafe bridge conditions in order to re-open the Line is \$9.2 million.

Similarly, the tunnels on the Line are crucial to re-starting operations on the Line. Indeed, CORP cited tunnel deterioration and safety concerns as the main reasons for the embargo in September 2007. During the autumn of 2007, CORP claimed that \$2.86 million in repairs was needed in tunnels 13, 15, and 18 before rail service could resume. Additionally, CORP claimed that another \$6.82 million in tunnel repairs would be necessary over the ensuing 4 years. The condition of the tunnels, including the rehabilitation costs necessary to restart rail service, is a

key factor as the Port evaluates whether it can or would like to purchase the Line. As shown by the tunnel report prepared by Shannon & Wilson, see Supplemental Reply Volume I, Exhibit 4 Tunnel Report”), the cost to re-open the tunnels is \$3 million.

Bridges on the Line

The Port¹ engaged DEA, an Oregon-based engineering firm with significant experience in bridge repair, replacement, and rehabilitation. DEA has prior experience with the Line. DEA has previously advised the Port on the Coos Bay rail bridge rehabilitation, provided the Port with testimony regarding environmental permitting applicable to bridge removal in this case, and provided the Port with cost estimates regarding environmental permitting for removal of the Umpqua and Siuslaw River Bridges.

The Port retained DEA to evaluate the bridges on the Line and so that the Port could appropriately reply to CORP’s Response. In particular, CORP had argued that the Port’s bridge removal costs for the Umpqua and Siuslaw River Bridges were too high. The Port also wanted more information about the bridges so that it could reply to CORP’s contention that CORP adequately maintained the Line through capital spending and track, bridge, and crossing maintenance. CORP also asserted that it should not have to pay any amount, whether through escrow or otherwise, for any rehabilitation of the Line. As described in the Supplemental Reply, the DEA bridge inspection was conducted to reply to these various contentions. In addition, the

¹ Earlier this year, the Oregon Department of Transportation (“ODOT”) retained DEA and Shannon & Wilson to assist ODOT in assessing the condition of all rail lines in Oregon and taking a particular look at the bridges and tunnels across the state. The Port and ODOT collaborated on the undertaking that would be done on behalf of ODOT for this Line and the Port expanded these services as needed at this time. Because of the work that DEA and Shannon & Wilson are doing across the state, they have a unique and comprehensive perspective on the railroad tunnels and bridges in Oregon. The portion of DEA’s Bridge Report containing the Siuslaw River bridge inspection data is labeled “draft” as is the Shannon & Wilson Tunnel Report because these materials will get final approval from ODOT and ODOT has not had a chance to complete their review of these materials.

DEA inspection also aids the Port further in its decision-making about whether purchase of the Line is feasible, and allows the Port to further respond to the Board's request for information about an escrow fund.

As the owner of the Coos Bay rail bridge, the Port understands and does not dispute that bridges are expensive to maintain and/or rehabilitate. Hence, the current condition of the Line's bridges is critical to the Port's understanding of how deferred maintenance negatively impacted the condition of these bridges; it also aids in the Port's decision-making process regarding the financial resources needed to successfully re-start rail service and provide service long-term in the event the Application is approved. DEA determined that \$9,211,395 in bridge rehabilitation is needed before rail service can be resumed. Bridge Report at 5, 11. This \$9.2 million figure is based on repairs that Osmose and DEA found as Priority 2 – meaning “condition unsafe and could cause failure at any time.” Reply, Volume III (Exhibit 30) at CORP001211.

DEA also found that the deferral of bridge maintenance, as revealed in CORP's discovery documents, is reflected in the physical condition of the Line. As noted by the Port in its Reply, documents received from CORP after the filing of the Application reveal that CORP did not undertake the several pages of critical bridge repair recommendations made by CORP's bridge contractor Osmose in early 2007. Reply at 71-72. Osmose listed numerous bridge conditions that were “unsafe and could fail at any time” and which should be repaired “as soon as possible.” Reply, Volume III (Exhibit 30) at CORP001195-001197. In its Abandonment Rebuttal (filed September 12, 2008), CORP noted that it made some repairs in the fall of 2007 at one bridge noted on the Osmose list. CORP Rebuttal at 37. *See also* Reply, Exhibit 26. However, Osmose recommended repairs to 15 other “unsafe” bridges. CORP001195-001197. Moreover, documents produced by CORP reveal a final 2005 bridge repair record and a final 2006 bridge

repair record, but no similar record for 2007. Reply, Volume III (Exhibit 30) at CORP003643-003660. Thus, it is not surprising that DEA found that less than 1% of the repairs recommended by Osmose in 2005 were completed by the time of the 2007 Osmose report and remain unrepaired to date. Bridge Report at 2. Thus, the evidence shows that CORP neglected bridge repairs prior to and during the embargo, and that those repairs are necessary to restart rail service. CORP estimated the repair cost to be \$6.75 million in 2007. DEA has now determined that the current repair cost for the bridges to restart rail service is \$9.2 million.

The Port has extensive first-hand knowledge of the environmental concerns and regulations that apply to projects in this region of Oregon. In part because of the Port's concern of what it will inherit from CORP should the Port acquire the Line, the Port contacted the Army Corp of Engineers ("Corps") to gain its own understanding of what type of regulatory requirements would face the abandonment of this Line with bridges that cross navigable waters. The Corps responded to my request by letter dated September 11th and received too late to be incorporated into the Port's September 12th filing, which confirmed that bridge removal may be accomplished by a Nationwide Permit ("NWP") but that qualifying for the NWP does not relieve *the applicant of being encumbered with conditions or relieve the applicant from compliance with the Endangered Species Act and cultural resources laws.* Attachment A. In addition, the Corps specifically stated that coordination would be necessary with the National Marine Fisheries Service ("NMFS") and the U.S. Fish and Wildlife; further, the applicant would have to comply with the National Historic Preservation Act ("NHPA"). The NMFS has informed the Board that the bridges on this Line are located within designated critical habitat. Attachment B. In addition, the Oregon State Historic Preservation Officer has stated that the Line is eligible as a linear district under NHPA. Attachment C.

By direction of the Commandant, the U.S. Coast Guard recently confirmed to U.S. Senator Ron Wyden that the abandonment of the Coos Bay Line would result in the Coast Guard finding that the bridges over navigable waters are no longer used for transportation and thus the Coast Guard would notify the owner that the bridge is in violation of federal law and constitutes an unreasonable obstruction to navigation. Attachment D. Thus, the Port believes that the sum of the evidence before the Board overwhelmingly establishes that in the event of an abandonment of this Line, bridges over navigable waters and bridges with contaminants (such as creosote-treated timbers) impacting critical habitat will need to be removed. Furthermore, because of the potential NHPA designation, the removal will need to be documented according to the standards of the Historic American Engineering Record. The Port should not be forced to potentially pay twice for these costs that are inextricably tied to this Line. If these costs are not deducted from the value that the Port must pay CORP to purchase this Line, then the Port will in effect be doomed to potentially pay for these costs again if in the future some catastrophe event required the Port to abandon this Line.

Aware of the creosote danger to critical habitat and protected species, and with the goal of determining the true value and costs associated with owning the Line, the Port also asked DEA to determine the cost to remove all bridges on the Line that are located in waterways with threatened or endangered species, or located in waterways that drain into waterways with threatened or endangered species. DEA estimates the removal cost in 2009 dollars is approximately \$21 million (before mobilization and contingency costs) for the bridges over water on the Line. Bridge Report at 15. The Umpqua and Siuslaw bridges account for approximately \$10 million of this removal cost estimated by DEA. Id. at 12-15. This means that approximately \$11 million (or 52% of the bridge removal costs) would become a potential

contingent liability should the Port acquire this Line at an NLV that does not include these costs. Unfortunately, the Port has been advised that the Board may be reluctant to set a negative NLV for a rail line and inclusion of these true costs associated with an abandonment of this Line would result in a negative NLV of the track assets of \$4.6 million. Therefore, the Port's track asset expert has not deducted these costs from the track asset NLV.

While these full costs associated with the abandonment are not included in the track asset NLV provided by Mr. Davis, the Port implores the Board to not engage in a miscarriage of justice by saddling the Port with the potential of paying for these costs twice. If the Board is unwilling to fully factor in these true costs today because it creates a NLV with a negative value, the Board should consider an apportionment of the future liability of these costs between the Port and CORP. To the extent that any bridge removal costs are not included in the NLV today, the Board should impose as a condition of the sale that CORP will remain liable for the percentage of bridge removal costs in the future. For example, if the Board only includes the bridge removal costs for the Siuslaw and Umpqua bridges, then CORP would remain liable for 52% of the future bridge removal costs. If CORP truly believes that it would not be required to remove all the bridges on the Line in the event of abandonment, then CORP should not have problem with this condition as it would not have any value associated with it under CORP's theory.

Tunnels on the Line

Shannon & Wilson's report on the tunnels was prepared at the direction of ODOT and initially based upon a rail study that ODOT was already undertaking on rail lines in the state. In consultation with the Port, ODOT expanded and modified the work request of Shannon & Wilson so that the report would be valuable to both ODOT and the Port. As noted in the Tunnel Report, the cost of repairs in the tunnels needed to re-open the Line is now \$3,099,049. In

addition, the Tunnel Report states that an additional \$5,231,646 of repairs will be needed within 30 to 48 months in order to reduce the currently high risk of rock falls and timber collapses. Shannon & Wilson also notes further deterioration that has occurred in the tunnels since their last inspection in 2007 including additional damage that appears to have been caused by trespassers on all-terrain vehicles. Tunnel Report at 1-2. The Tunnel Report confirms that CORP has not made any repairs to the tunnels since the embargo and CORP has not taken adequate steps to ensure that no further damage occurs either by drainage problems or trespassers.

Escrow Account

As the Port raised in its Feeder Application, the Board should require CORP to pay for the costs to re-open this Line that has been unlawfully abandoned since September 2007. Based upon the recent evaluations of DEA and Shannon & Wilson, the funds required to re-open the Line have increased to \$15.388 million. The need for additional repairs beyond those fully known when the Port filed its Feeder Application or even estimated by CORP's experts over a year ago² is not unusual or unexpected – these additional rehabilitation costs simply reflect the full cost today to re-open this Line. As the Port noted previously, CORP has admitted to not engaging in any regular maintenance of the Line during the embargo other than clearing some downed trees. Reply, Exhibit 11 at Interrogatory 21.

The increase of monies for the escrow account is driven by the increase cost estimates for the repairs to the bridges and tunnels needed to re-open the Line. According to DEA, the bridge rehabilitation costs for resumption of service should be \$9.2 million, an increase from the \$6.75 million stated by CORP in November 2007. These costs represent just the Priority 2 repairs,

² CORP based its assertion that \$6.75 million is needed to repair the bridges to re-open the Line on a bridge evaluation conducted by Osmose in February 2007. Similarly, the tunnel repairs needed are based on the Shannon & Wilson Report from July 2007. Reply at 71-72.

which are conditions that are deemed unsafe and could cause failure at any time. In addition, DEA has estimated that an additional \$40,775 will be needed for other deteriorated conditions that will occur during the next 6 months while the Line continues to be ignored by CORP. Bridge Report at 5. The tunnel repair costs needed before service could resume are now \$3.099 million, an increase from the \$2.86 previously stated by CORP and Shannon & Wilson.

In light of these additional costs associated with additional deterioration, damage and/or increased costs for the repairs, the Port requests that the amounts discussed below be placed in escrow to pay for the repairs to re-open the Line that CORP has neglected prior to and during its unlawful embargo. The escrow account should be for \$15.388 million and consist of:

- \$3.099 million to conduct immediate repairs to Tunnels 13, 15, and 18, *see* Tunnel Report;
- \$9.2 million to conduct critical bridge repairs for conditions that are “unsafe” or “could cause failure at any time,” *see* Bridge Report;
- \$2.42 million to engage in “require[d] tie replacement,” *see* Port’s Reply dated September 12, Exhibit 25 at 5 and 7; and
- \$0.669 million to conduct surfacing of ties, *see* Port’s Reply dated September 12, Exhibit 25 at 5 and 7.

The Port will maintain records of the actual costs associated with the repairs outlined in these reports as necessary for the re-opening of the Line and will agree that any funds left in the escrow upon completion of these repairs can be returned to CORP. The Port recognizes that these escrow costs would exceed the Port’s NLV provided in this Supplement Reply and thus the Board may be limited because of this on the amount that can be placed in escrow. The Port will factor this determination into the full cost associated with acquiring, re-opening and operating this Line and on the Port’s decision on whether it should acquire the Line under the terms set by the Board.

The escrow amount documented by the Port does not include other costs that will be borne by the Port in the event that it purchases the Line and moves toward re-starting rail service. As described by the Port's witnesses Charles Banks and Gene A. Davis in the Reply, over \$1 million in other start-up costs exist. R.V.S. Banks/Davis at Attachment B (showing costs such as grade crossing work and track clearing). Furthermore, the escrow does not include the Priority 3 and 4 repairs needed on the bridges which are estimated to be \$28 million, nor does it include the total bridge rehabilitation cost estimated to be \$119 million. Bridge Report at 11. Likewise, this escrow account will not cover the more than \$5 million of additional repairs needed for the tunnels within the first four years of operation. Tunnel Report at Table 11.

Offer to Purchase

The Port offers to purchase the Line at its true NLV. Based on the updated figures, the maximum NLV of the track assets of the Line is \$6,415,779 as of September 26, 2008. When added to the real estate value of \$910,000 from the Port's Reply (page 7), the total NLV of the Line is \$7,325,779 as of September 26, 2008. The Port remains ready, willing and able to purchase this Line.³

It appears to the Port one of the biggest differences of CORP and the Port's NLV is based upon the removal costs associated with the Line. This appears to be because the Board typically imposes general conditions in abandonment proceedings requiring railroads to consult with other agencies, which may result in the Board sometimes having limited knowledge of what actions and full costs may be imposed on the actual abandonment when it takes place. However, the

³ Contrary to CORP's assertion late yesterday that the Port has refused to incur debt to save this Line, I clearly stated back on August 8th in my Supplemental Verified Statement that "debt service, particularly long-term, will not be sustainable for this Line due to the rehabilitation needs of the Line and the projection that there will be operating losses." This remains true but it does not amount to a refusal to incur debt and the Port did not then and has not asked the Bank to retract the Loan Commitment.

input received from agencies such as the U.S. Coast Guard, the Army Corps, and the NMFS during this case reveals that bridge removal costs must be included as a cost to this abandonment especially because of its impact on navigable waters and critical habitat for protected species. In recognition of the fact that the Board has never found a negative NLV (and also that most NLV calculations typically do not address bridge removal), the Port only included the removal costs for the Umpqua and Siuslaw River Bridges. If CORP were to actually abandon the Line, the bridge removal costs would be higher. Moreover, this NLV does not incorporate the repair costs to re-open the Line that are attributable to CORP's deferred maintenance before and during the embargo. As described above, the Board should create an escrow of \$15.388 million to account for CORP's failure to properly follow the common carrier obligation.

The Port is aware that the Board has sometimes used averaged steel prices over a given time period. Therefore, the Port has also created NLV, Option #2, which is based on the composite monthly average of scrap, re-roll, and OTM prices from September 21, 2007 (the date of the embargo) to September 26, 2008. NLV Option #2 uses current relay prices, which, again, are from major railroad material suppliers for the price quoted on September 26, 2008. Under this NLV Option #2, the maximum value of the Line's steel assets is \$5,721,603 million. When added to the real estate valuation of \$910,000, the NLV of the Line under Option #2 is \$6,631,603 million before consideration of the additional bridge removal and escrow account for repairs necessary to re-open the Line. The Port believes that using a steel price average that begins with the date that CORP unlawfully abandoned the Line is the appropriate starting point for the average.

The Port appreciates this opportunity to supplement its reply and asks the Board to order the sale of the Line to the Port consistent with the record established by the Port and other stakeholders in this and the related proceedings.

VERIFICATION

I, Jeffrey Bishop, verify under penalty of perjury that the foregoing is true and correct based on my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Supplemental Reply Verified Statement.



Jeffrey Bishop
Executive Director
Oregon International Port of Coos Bay

Dated 8/29/08 _ _

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF JEFFREY BISHOP**

Attachment A



DEPARTMENT OF THE ARMY
PORTLAND DISTRICT, CORPS OF ENGINEERS
POST OFFICE BOX 2846
PORTLAND, OREGON 97208-2846

REPLY TO
ATTENTION OF:

September 11, 2008

Operations Division
Regulatory Branch

Mr. Jeffery Bishop
Executive Director
Oregon International Port of Coos Bay
P.O. Box 1215
Coos Bay, Oregon 97420

Dear Mr. Bishop:

This correspondence regards your September 3, 2008 email to Mr. Kevin Brice requesting the Portland District Corps of Engineers comment on the Central Oregon & Pacific RR's intent to abandon a railway line located in Coos County, Oregon. Components of the railway line apparently cross navigable waters of the United States and/or impact waters of the United States.

The removal of bridges and their appurtenant structures and fill may be authorized by a Department of the Army Nationwide Permit (NWP) No. 22. Applicants wishing to conduct work under this authorization must submit a pre-construction notification (PCN) to the district engineer before any work begins if activities would impact wetlands or other special aquatic sites.

A PCN is a written request in the form of a permit application, letter, or similar document. The PCN must include a complete description of the work to be done, an assessment of the direct and indirect adverse environmental effects of the project, and a delineation of wetlands and other waters of the United States on the project site. This information must be sufficiently detailed to allow the district engineer to determine if adverse effects of the project will be minimal and to determine the need for compensatory mitigation. The prospective permittee must describe how the mitigation requirement will be satisfied and usually a conceptual or detailed mitigation plan is provided.

All activities authorized under a Department of the Army permit must comply with the applicable Federal laws and regulations such as the Endangered Species Act (ESA) and cultural resources laws. The watersheds along the rail line support runs of Oregon Coast coho salmon, a species protected under the ESA. Other protected species may also be present. In most instances, the Corps will coordinate directly with the National Marine Fisheries Service and the U.S. Fish and Wildlife Service. Quite frequently, additional information is requested from an applicant to complete the coordination and any requisite consultation. Work cannot begin until ESA consultation has been completed. In addition, if structures proposed for removal are historic properties, the activity is not authorized until the requirements of Section 106 of the National Historic Preservation Act have been satisfied. All actions requiring a PCN will be coordinated with the appropriate American Native Tribes.

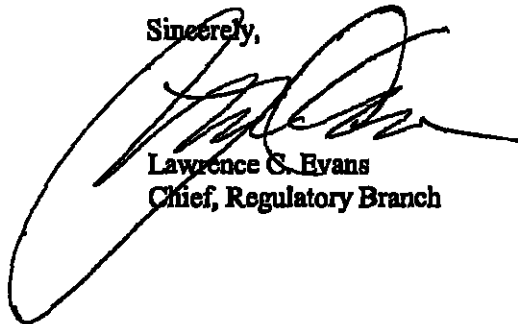
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9/11/08

-2-

Although the work referenced in your email may qualify for review under the Corps' nationwide permits procedures, it is not unusual that these permits are encumbered with conditions that require compensatory mitigation or otherwise restrict how work may proceed. These conditions often carry an economic cost that must be carried by the permit holder and are mandatory if work proceeds under the federal authorization. Until the Corps is provided a specific proposal to review, it is difficult to specifically identify what, if any, conditions may be associated with the permit.

Thank you for the opportunity to comment. If you have further questions, please contact me at the letterhead address or by telephone at 503-808-4370. I can also be reached by email at Lawrence.c.evans@usace.army.mil.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'L. Evans', is written over the typed name and title.

Lawrence S. Evans
Chief, Regulatory Branch

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF JEFFREY BISHOP**

Attachment B

EI-11819



Chuck Wheeler
<Chuck.Wheeler@noaa.gov>

09/17/2008 01:52 PM

To chnsta dean@stb dot gov

cc

bcc

Subject Contact for NMFS

Christa, It was nice talking to you this morning. According to 50 CFR 402.14 any federal agency is required to consult with NMFS if their action may affect listed species or critical habitat. You said abandoning the bridges requires a license which is a federal action. Because parts of the bridge are creosote treated lumber, creosote leaches contaminants for decades after installation, and the bridges are located within designated critical habitat, I believe a may affect determination is warranted.

Here is the contact information for my State Director, the one you would direct consultation to.

Kim Kratz Director
Oregon State Habitat Office Habitat Conservation Division
1201 NE Lloyd Boulevard, Suite 1100
Portland, OR 97232

If you have any questions, please call or write!

--

Chuck Wheeler
Fishery Biologist
National Marine Fisheries Service
2900 NW Stewart Parkway
Roseburg, Oregon 97470

Ph. 541.957.3379

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF JEFFREY BISHOP**

Attachment C



Oregon

Theodore R. Kulongoski, Governor

Parks and Recreation Department

725 Summer Street NE, Suite C

Salem, OR 97301-1266

(503) 986-0707

FAX: (503) 986-0794

www.oregonstateparks.org



Nature
History
Discovery

September 10, 2008

Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

RE: SHPO Case No. 08-1481
Docket No. AB-515
Central OR & Pacific RR (CORP) Abandonment Project
Multiple legals, Various, Coos/Douglas/Lane County

We have reviewed the materials submitted on the project referenced above, and we do not concur with the determination that the property is ineligible for the National Register. We believe that the rail line is eligible for the National Register of Historic Places as a linear district in accordance with 36 CFR Part 60.4.

Although we believe the property is eligible, we also believe that a no adverse effect finding is warranted for the abandonment of this line if the Central Oregon and Pacific Railroad, Inc. does not plan to remove any of the features of the rail line. If removal is planned, then additional documentation and coordination should occur with this office to mitigate for the adverse effect.

If the bridges are proposed for removal, then consultation under Section 106 of the National Historic Preservation Act will certainly be required. Given the scale and significance of these historic structures, mitigation would be extensive and would likely include thorough documentation to the standards of the Historic American Engineering Record

Please let me know if we can be of further assistance with this project.

Sincerely,



Tim Wood

Director and State Historic Preservation Officer

cc. Chris Warner, ODOT
Sandra Brown, Troutman Sanders, LLP
Jeff Griffin, Governor's Office

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF JEFFREY BISHOP**

Attachment D

**U.S. Department of
Homeland Security**

**United States
Coast Guard**



**Commandant
United States Coast Guard**

**470 L'Enfant Plaza East, SW
Room 7110
Washington, DC 20024-2135
Staff Symbol CG-0921
Phone: (202) 245-0520
Fax (202) 245-0529**

5730

C792753

SEP 16 2008

**The Honorable Ron Wyden
United States Senate
223 Dirksen Senate Building
Washington, DC 20510-3703**

Dear Senator Wyden:

This is in response to your letter dated August 29, 2008 regarding the disposition of three rail bridges on the Coos Bay Line, which are currently under review for Surface Transportation Board abandonment proceedings.

The Coast Guard's policy regarding bridges over navigable water that are no longer used for land transportation is to notify the owner that the bridge is in violation of federal law and constitutes an unreasonable obstruction to navigation. In addition, the Coast Guard would advise the bridge owner of the following options available to them:


- 1) Return the bridge to an active transportation function.**
- 2) Remove the main navigation span and retain portions of the structure in the waterway. For this option, the bridge owner is required to consult with the U. S. Army Corps of Engineers (ACOE). Failure to obtain the ACOE's approval to leave parts of the structure in the waterway, after it has lost its character as a bridge will subject the bridge owner to removing the bridge in its entirety. This removal must occur down to or below the natural bottom of the waterway or such other elevation as deemed appropriate by the Coast Guard District Commander in consultation with the ACOE.**
- 3) Completely remove the bridge from the waterway at no expense to the Federal Government. The Coast Guard's involvement in the removal process would include early review of the proposed removal plan to allow the Coast Guard to notify effected mariners to ensure that the reasonable needs of navigation are met during the removal operations.**

Hence if the Coos Bay Rail Line is formally abandoned, the three bridges referred to in your letter will be considered bridges that are no longer used for transportation and the Coast Guard would move forward with the process outlined above.

5730
C792753

**Subj: RESPONSE TO LETTER DATED AUGUST 29, 2008 REGARDING THE
DISPOSITION OF THREE RAIL BRIDGES ON THE COOS BAY LINE**

My Senate Liaison Office at (202) 224-2913 would be pleased to respond to any further questions you or your staff may have.

Sincerely,

Edward St. Pierre
Commander, U.S. Coast Guard
Congressional and Governmental
Affairs Staff
By Direction

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

**SUPPLEMENTAL REPLY OF THE
OREGON INTERNATIONAL PORT OF COOS BAY**

Exhibit 2

Supplemental Reply Verified Statement of

Gene A. Davis, P.E.

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB FINANCE DOCKET NO. 35160

OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR

SUPPLEMENTAL REPLY VERIFIED STATEMENT
OF
GENE A DAVIS, P.E.

EXHIBIT 2

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B	Net Liquidation Value of Track Assets
C	Gross Liquidation Value of Track Assets
H	Track Material Unit Market Prices
J	Siuslaw River Bridge Removal Costs
K	Umpqua River Bridge Removal Costs
P	September 26, 2008 American Metal Market Prices
Q	Menard's Railroad Materials Market Prices

¹ These Attachments are updated based on information now available. Other Attachments from my Reply Verified Statement (September 12, 2008) remain unchanged.

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB FINANCE DOCKET NO. 35160

OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR

Introduction

The Oregon International Port of Coos Bay (Port) engaged R.L. Banks & Associates, Inc. (RLBA) to evaluate and determine the Net Liquidation Value (NLV) of the track assets owned by the Central Oregon & Pacific Railroad (CORP) over which rail service previously had been provided between Danebo and Cordes, Oregon but has since been embargoed west of Vaughn because of an embargo imposed by CORP since September 21, 2007 beginning at milepost (MP) 669.47 and continuing to the end of the subject rail line near Coquille. CORP's ownership is between Danebo (MP 652.11) and Cordes (MP 763.13), hereafter (Line), all of which has existing track, ties, ballast, switches, and other track materials (OTM).

I understand that additional bridge and tunnel inspections have occurred in the time since my Reply Verified Statement (R.V.S.) was filed with the Port's Reply on September 12, 2008. I have reviewed the reports from the additional inspections and I have been asked to supplement the bridge removal costs incorporated in my R.V.S. based on the most recently available data. Additionally, I was asked to supplement the NLV of the subject track assets (excluding land and rolling stock) as of the most recent date available, which is September 26, 2008.² Lastly, I was asked to supplement the NLV of the subject track assets using current relay values and a composite monthly average of reroller³, scrap rail

² The American Metals Market (AMM) is commonly accepted as an authoritative source of reroller, scrap rail and OTM steel prices; the prices are published electronically each business day around midnight for the prior business day's data. Data concerning September 26, 2008 was the most recently available and was used for this Supplemental Reply Verified Statement (S.R.V.S.) A copy of the AMM release dated September 29, 2008 (which contains September 26, 2008 data) is attached as Attachment P

³ Also called Rail Crops by AMM.

and OTM prices between September 21, 2007 and September 26, 2008. My conclusions are set forth in this S.R.V.S., which is attached to the Port's Supplemental Reply being filed in this proceeding. Unless otherwise noted herein, my prior R.V.S. presents the general assumptions and other calculations underlying my conclusions in this S.R.V.S. and will not be repeated here. Similarly, the R.V.S. described my professional experience and qualifications, and that information will likewise not be repeated here.

Description of the Railroad

The CORP properties which are the subject of this S.R.V.S. are the same as those that were described in my R.V.S. of September 12, 2008. There is no need to revise or supplement the description I previously provided on pages 2-4 of my R.V.S. Similarly, there is no need to submit supplemental Attachments A, D, E, F, G, I, N, or O as these Attachments are unchanged. The Supplemental Attachments with the updated information contained herein include Attachments B, C, H, J and K.

Supplemental Net Liquidation Value

As of September 26, 2008, the NLV of the Line is \$6,415,779⁴, seen in Attachment B, Option 1. Additionally, at the request of the Port's counsel, I created a NLV based on current relay material prices and a composite monthly average of reroller, scrap rail and OTM prices between September 21, 2007 and September 26, 2008 seen in Attachment B, Option 2, which has an NLV of \$5,721,603.

Prior to completing this S.R.V.S., I reviewed the bridge inspection report prepared by David Evans & Associates (DEA) and the tunnel inspection report prepared by Shannon & Wilson. I understand that these reports are a result of on-site inspections that took place between September 12 and 18, 2008. Additionally, I reviewed current steel prices in order to ensure that my NLV reflects the most up-to-date information possible. For reroller, scrap rail and OTM prices, I relied upon index prices from the AMM, which is the same source I used in my *Verified Statement from the Application* (July 11, 2008) and my R.V.S. from the Reply (Sept. 12, 2008). The most up-to-date figures available before completing this Supplemental Reply Verified Statement were prices from the close of

⁴ The difference in the NLV in this S.R.V.S. and my R.V.S. is due to the drop in steel prices and the addition rather than netting of salvage and disposal costs to the Staton estimate because my R.V.S. did not correctly account for the fact that Staton's estimate was dependant on Staton keeping value of the scrap steel based on August 2007 prices

business on Friday, September 26, 2008. As I stated in my R.V.S., the AMM index represents prices that were slightly higher than those used in the salvage bids included by CORP in its August 29, 2008 filing.⁵ As noted above, the AMM index is commonly accepted as an authoritative source by this Board of reroller, scrap rail and OTM values in the rail salvage industry.

To obtain up-to-date relay tie, rail and OTM prices, I contacted two new independent salvage companies, A&K Railroad Materials, Inc. (Western Region), hereafter A&K, and Menard's Railroad Materials (Menard's), where I obtained current market prices relating to the quantities and types of timber and steel assets that would be salvaged from the Line. On September 25, 2008, Menard's provided market prices seen in Attachment Q while A&K provided prices via telephone on September 26, 2008. When I compared those current unit relay material prices supplied by A&K and Menard's with those supplied by L.B. Foster and Unitrac, the current prices were consistent with those supplied to CORP in August, 2008. These valuations represent prices as of September 26, 2008.

Determination of Supplemental Net Liquidation Value

As I stated above, I created two separate options for the NLV of the Line. Option 1 consists of the NLV of the Line as of the most recently available valuation data (reroller, scrap rail and OTM as of September 26, 2008 as well as for relay materials) as seen in Table 1 on the next page. In determining the Option 1 NLV, I reviewed the costs associated with bridge removal including the two swing span bridges (Umpqua and Siuslaw River bridges). In addition, I understand that DEA's opinion is that all bridges would be required to be removed (at a cost of over \$30 million, which includes mobilization and contingency) because of the potential impact to threatened or endangered species such as the Coho salmon if the bridges were allowed to remain in place. See Exhibit 3 ("Bridge Report") and Volume III, Attachment 3 of the Supplemental Reply. Since the STB has never, to my knowledge, set a NLV at or below zero, my NLV only includes the costs associated with the removal of the two swing span bridges estimated in this S.R.V.S. as Attachments J and K and based upon the compelling evidence that CORP (at a minimum) would be required to remove these bridges over navigable waters. However, it should be noted that if CORP were actually abandoning this Line and CORP was required to remove all bridges because of the impact to threatened or endangered species, the NLV would in fact be negative. The DEA estimated cost to remove all the bridges, even before the mobilization and contingency

⁵ Gene Davis R V S , page 21.

costs, would result in approximately an additional \$11 million of bridge removal costs above that associated with the Umpqua and Siuslaw River bridges. Inclusion of this \$11 million cost figure would result in a NLV of negative \$4.6 million, which represents the true cost to CORP if the Line were really abandoned and CORP was required to remove all the bridges that may affect threatened or endangered species.

The actual market prices of relay materials and scrap steel used in this Option 1 NLV are drawn directly from the AMM prices of reroller, scrap rail and OTM as of September 26 while the relay prices as of the same date were obtained from A&K Railroad Materials and Menard's Railroad Materials. Table 2 on the next page illustrates the type of rail (regular, jointed, or continuous welded rail - hereafter CWR), weight of rail in pounds per yard as well as prices used in developing the valuation set forth in Table 1.

At the direction of the Port's counsel, I also created an Option 2 NLV (seen in Table 3 on the next page) based on current relay prices (dated September 26, 2008 and seen in Attachment H) as well as composite monthly average prices of reroller, scrap rail and OTM stretching over the time period between September 21, 2007 and September 26, 2008, seen in Table 4 on the second following page.

Table 1		
NLV of Certain Track Assets (Option 1)		
CORP-Owned Rail Line		
Revised as of September 26, 2008		
Gross Liquidation Value – In Situ Materials		\$21,751,300
Less Liquidation Expenses		
Preparation Cost Adjustments	\$1,443,800	
Restoration Cost Adjustments	171,100	
Preliminary Track Liquidation Value		\$20,136,400
Administration, Marketing and Transportation Expense	\$5,962,221	
Siuslaw and Umpqua Bridge Removal Costs	7,758,400	
Net Liquidation Value		\$6,415,779

Source: Attachment B (Option 1).

The composite monthly averages used in this Option 2 NLV are from the AMM prices associated with reroller, scrap rail and OTM while the relay prices are as of September 26, 2008 and were furnished by the suppliers previously mentioned. Table 4 on the second following page illustrates the prices utilized in the valuation in Table 3.

Table 2		
Steel Market Prices (Option 1)		
Revised as of September 26, 2008		
(per net ton)		
Description	Price	
	Relay	Scrap
136 Jointed, Fit # 2	\$969	
136 CWR, Fit # 2	969	
132 Jointed, Fit # 2	969	
132 CWR, Fit # 2	969	
115 CWR, Fit # 1	1,125	
115 CWR, Fit # 2	1,028	
112 Jointed, Fit # 2	1,023	
112 CWR, Fit # 2	1,023	
Reroller		\$545
Scrap Rail		277
Scrap OTM		447
Relay OTM ⁶		

Source: Attachment H

Table 3		
NLV of Certain Track Assets (Option 2)		
Utilizing Composite Average of Reroller, Scrap Rail and OTM		
Between September 21, 2007 and September 26, 2008		
And Relay Assets at Current Value		
CORP-Owned Rail Line		
Gross Liquidation Value – In Situ Materials		\$20,931,600
Less Liquidation Expenses		
Preparation Cost Adjustments	\$1,443,800	
Restoration Cost Adjustments	171,100	
Preliminary Track Liquidation Value		\$19,316,700
Administration, Marketing and Transportation Expense	5,836,697	
Siuslaw and Umpqua Bridge Removal Costs	7,758,400	
Net Liquidation Value		\$5,721,603

Source: Attachment B (Option 2)

⁶ See Attachment H regarding unit relay OTM prices

Just as in the R.V.S., I determined the NLV in this statement through four principal steps: first, computation of Gross Liquidation Value (GLV), the market value of salvageable assets (primary components with a value greater than related liquidation expenses); second, calculation of various Liquidation Expenses; third, Preliminary Track Liquidation Value, that value remaining after deductions of Liquidation Expenses due to removal and restoration as necessary to render assets saleable and preparation of the corridor for non-rail use; and fourth, Net Liquidation Value (NLV), that value remaining after deductions of transportation, yard costs, job fee, cost of money, and profit. See Attachment B (Options 1 and 2, respectively). I also subtracted those supplemental costs associated with the removal of the Siuslaw and Umpqua River Bridges due to the Coast Guard requirement that those bridges be removed. Attachments J and K reveal the updated costs to remove the Siuslaw and Umpqua River Bridges based on current AMM values associated with steel salvaged from those bridges.

Table 4				
Steel Composite Market Prices (Option 2)				
Average Between September 21, 2007 and September 26, 2008				
(per net ton)				
Composite Average Price	Relay	Scrap	Reroll	OTM
September 21, 2007>		\$245.54	\$343.75	\$258.93
October 2007		241.65	339.87	251.16
November 2007		233.48	331.70	242.41
December 2007		247.18	352.91	267.38
January 2008		286.14	385.63	330.14
February 2008		286.61	384.82	335.71
March 2008		304.85	395.41	353.96
April 2008		423.71	526.79	488.23
May 2008		499.79	621.38	581.21
June 2008		536.35	687.71	655.62
July 2008		540.18	682.02	520.09
August 2008		500.43	747.03	627.13
<September 26, 2008	\$ ⁷	303.10	567.20	473.45
Composite Average		\$357.61	\$489.71	\$414.26

Source. AMM and Attachment H.

As a means to visually highlight the changes in historical steel valuations, I have included two graphs as Figures 1 and 2 seen on the second and third following pages. Figure 1 is a supplement to Figure 1 in my R.V.S. and shows the historical change in reroller, scrap

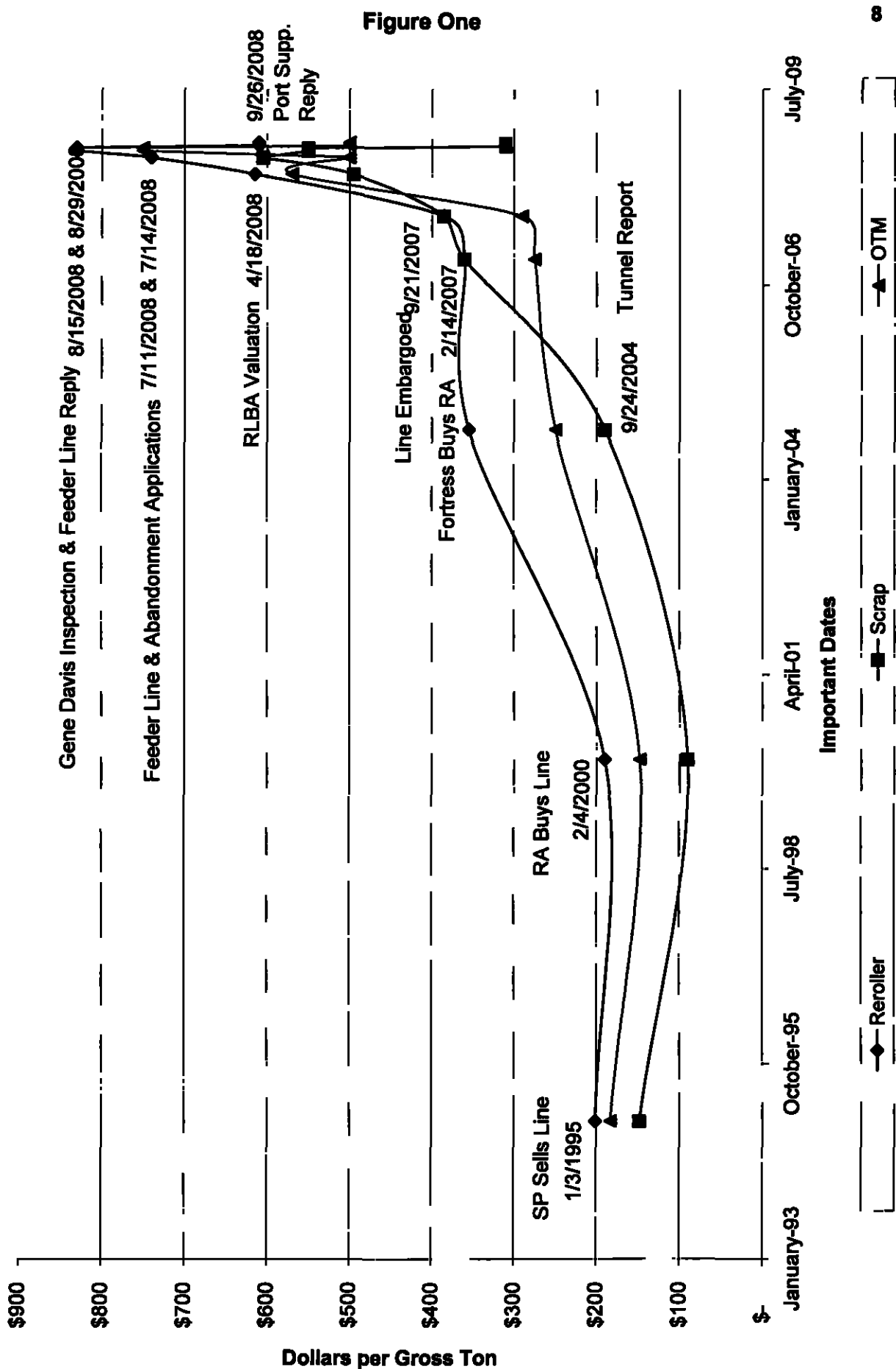
⁷ Relay price is a spot price as of September 26, 2008 seen in Attachment H.

rail and OTM values beginning in January 1995 when CORP acquired the Line and ending with current values as of September 26, 2008. Figure 2, meanwhile, is a graph showing the change in composite monthly average for reroller, scrap rail and OTM from September 21, 2007 (the date of CORP's embargo) to September 26, 2008 (the most recent data available). Figure 2 is a supplement of data included in my workpapers for my R.V.S. on September 12, 2008.

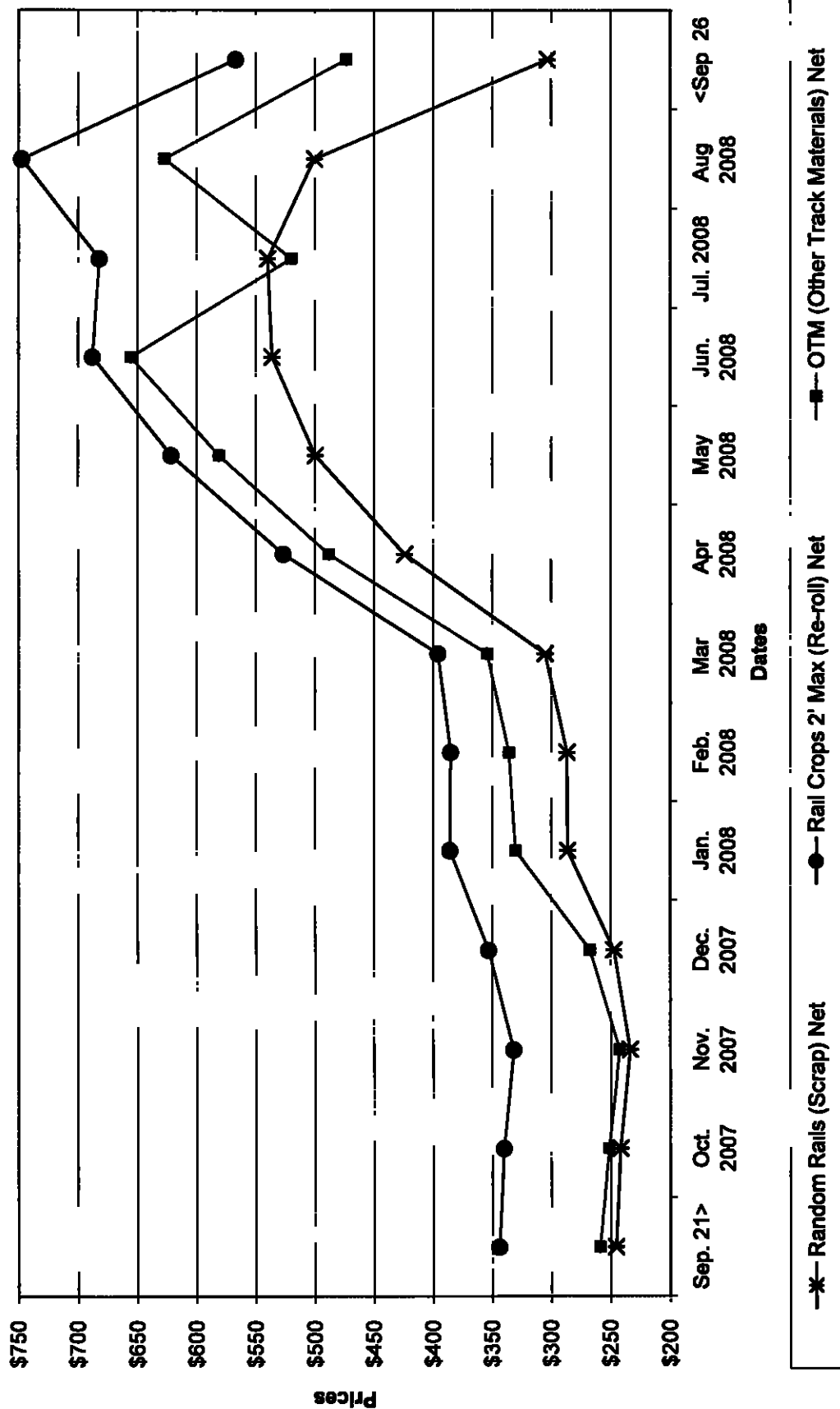
Methodology To Compute NLV

NLV was determined through application of a multiple step process, which was previously described in my R.V.S. and has not changed. I refer the Board back to the R.V.S. for a detailed description of my methodology.

Scrap Prices



Scrap Prices in Net Tons



AMIM Data is in Gross Tons, Data Adjusted to Net Tons, 0.89 Conversion Factor, 1 gross ton = 2,240 pounds or 1.12 tons.

VERIFICATION

I, Gene A. Davis, P.E., verify under penalty of perjury that the foregoing is true and correct based on my knowledge, information, and belief. Further, I certify that I am qualified and authorized to file this Supplemental Reply Verified Statement in Finance Docket No. 35160.

A handwritten signature in black ink, reading "Gene A. Davis, P.E.", is written over a horizontal line.

Gene A. Davis, P.E.

Dated, September 29, 2008

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR**

**REPLY SUPPLEMENTAL VERIFIED STATEMENT
OF
GENE A. DAVIS, P.E.**

EXHIBIT 2

ATTACHMENT B

Attachment B - Option 1
 Net Liquidation Value of Track Assets
 Of the Central Oregon & Pacific Railroad - Coos Bay Branch
 Between Danebo and Cordes, Oregon
 Revised As of September 26, 2008

	Unit(s)	Unit Cost	Total	Grand Total
Track Nominal Value.				
Relay Railroad Materials			\$9,002,800	
Scrap and Reroll Materials (net of transportation)			11,477,600	
Ties and Non-steel Materials			<u>1,270,900</u>	
Gross Liquidation Value				\$21,751,300
Preparation Cost Adjustments:				
Rail & OTM Removal - Fit (miles)	12.4	\$14,000	(173,000)	
Rail & OTM Removal - Scrap (miles)	104.3	12,000	(1,251,700)	
Turnout Removal - Fit (each)	27	500	(13,500)	
Turnout Removal - Scrap (each)	14	400	<u>(5,600)</u>	
Total Adjustments				(1,443,800)
Restoration Cost Adjustments:				
Permanent Tunnel Closure Expense	9	10,000	(90,000)	
Highway Crossing - Public (each)	33	2,000	(66,000)	
Highway Crossing - Private (each)	43	350	<u>(15,100)</u>	
Total Adjustments				(171,100)
Preliminary Track Liquidation Value				<u>\$20,136,400</u>
Transportation Expense				
Relay Steel Materials - To Chicago, IL	169	5,745	(970,900)	
Scrap Steel Materials - To Chicago, IL	236	5,745	(1,355,800)	
Administrative and Marketing Expense				
Yard Costs				
Job Fee				
Cost of Money				
Profit				
Total Estimated Expense				(5,962,221)
Net Liquidation Value before Bridge Removal Cost				<u>\$14,174,179</u>
Bridge Removal Cost (Siuslaw and Umpqua Rivers)			(7,758,400)	
Net Liquidation Value				<u>\$6,415,779</u>

Source. Attachment C; RLBA estimate

Attachment B - Option 2
 Net Liquidation Value of Track Assets
 Of the Central Oregon & Pacific Railroad - Coos Bay Branch
 Between Danebo and Cordes, Oregon
 Revised As of September 26, 2008

	Unit(s)	Unit Cost	Total	Grand Total
Track Nominal Value.				
Relay Railroad Materials			\$9,002,800	
Scrap and Reroll Materials (net of transportation)			10,657,900	
Ties and Non-steel Materials			<u>1,270,900</u>	
Gross Liquidation Value				\$20,931,600
Preparation Cost Adjustments:				
Rail & OTM Removal - Fit (miles)	12.4	\$14,000	(173,000)	
Rail & OTM Removal - Scrap (miles)	104.3	12,000	(1,251,700)	
Turnout Removal - Fit (each)	27	500	(13,500)	
Turnout Removal - Scrap (each)	14	400	<u>(5,600)</u>	
Total Adjustments				(1,443,800)
Restoration Cost Adjustments.				
Permanent Tunnel Closure Expense	9	10,000	(90,000)	
Highway Crossing - Public (each)	33	2,000	(66,000)	
Highway Crossing - Private (each)	43	350	<u>(15,100)</u>	
Total Adjustments				(171,100)
Preliminary Track Liquidation Value				<u>\$19,316,700</u>
Transportation Expense				
Relay Steel Materials - To Chicago, IL	169	5,745	(970,900)	
Scrap Steel Materials - To Chicago, IL	236	5,745	<u>(1,355,800)</u>	
Administrative and Marketing Expense				
Yard Costs				
Job Fee				
Cost of Money				
Profit				
Total Estimated Expense				(5,836,697)
Net Liquidation Value before Bridge Removal Cost				<u>\$13,480,003</u>
Bridge Removal Cost (Siuslaw and Umpqua Rivers)			(7,758,400)	
Net Liquidation Value				\$5,721,603

Source. Attachment C; RLBA estimate.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR**

**REPLY SUPPLEMENTAL VERIFIED STATEMENT
OF
GENE A. DAVIS, P.E.**

EXHIBIT 2

ATTACHMENT C

Attachment C - Option 1
Gross Liquidation Value of Track Assets
Of the Central Oregon & Pacific Railroad - Coos Bay Branch
Between Danebo and Cordes, Oregon
Revised As of September 26, 2008

File	Miles Scrap	Description	Condition	Quantity per mile	Re-Useable			Scrap and Reroll		
					Unit	Percent	Value (a)	Percent	Unit	Value (b)
										Grand Total (a+b)
OTHER TRACK MATERIAL:										
12 36	104 31	Ties	Relay	Each	3,168	17 %	\$13.00	53 %	\$6.00	\$807,700
12 36	104 31	Ties	Landscape	Each	3,168			30	(6 50)	\$1,181,700
12 36	104 31	Ties	Scrap	Each	3,168					(718,500)
4 59	18 60	Tie Plates 7 3/4 -14 DS	Relay	Each	6,336	97	9 98			1,421,700
7 77	29 08	Tie Plates 7 1/2 -13 DS	Relay	Each	6,336	97	9 50			2,151,500
0 00	48 53	Tie Plates 7 1/2 -12 DS	Relay	Each	6,336	97	8 88			2,647,100
0 00	3 05	Tie Plates 7 1/2 -11 SS	Scrap	Ton	71 1			97	447	94,100
0 00	4 38	Tie Plates 90# SS	Scrap	Ton	53 1			97	447	100,900
0 00	0 67	Tie Plates 85# SS	Scrap	Ton	53 1			97	447	15,400
1 13		Jt Bars 136#	Relay	Pair	307	97	56 00			16,700
2 00		Jt Bars 132#	Relay	Pair	271	97	55 00			29,400
0 36		Jt Bars 115#	Relay	Pair	271	97	55 00			5,100
6 65		Jt Bars 112#	Relay	Pair	271	97	55 00			96,000
	5 67	Jt Bars 136#	Scrap	Ton	10 5			95	447	25,300
	10 00	Jt Bars 132#	Scrap	Ton	10 5			95	447	44,800
	0 25	Jt Bars 131#	Scrap	Ton	10 5			95	447	1,100
	0 20	Jt Bars 130#	Scrap	Ton	9 5			95	447	800
	0 12	Jt Bars 115#	Scrap	Ton	9 5			95	447	500
	40 06	Jt Bars 113#	Scrap	Ton	9 5			95	447	162,000
	33 23	Jt Bars 112#	Scrap	Ton	9 5			95	447	134,400
	3 05	Jt Bars 110#	Scrap	Ton	9 5			95	447	12,300
	4 38	Jt Bars 80#	Scrap	Ton	8 9			95	447	16,600
	0 67	Jt Bars 85#	Scrap	Ton	6 9			95	447	2,000
12 36		Rail Anchors	Relay	Each	2,978	50	1 07			19,600
	104 31	Rail Anchors	Scrap	Ton	3 7			80	447	139,900
12 36	104 31	Spikes	Scrap	Ton	5 1			80	447	211,200
12 36	104 31	Bolts & Washers	Scrap	Ton	1 4			80	447	59,000
TOTAL OTHER TRACK MATERIAL							\$7,194,800			\$1,483,300
										\$8,678,100
TURNOUTS:										
27		Fit Turnouts	Fit	Each	1	100 %	\$2,500			\$67,500
	14	Scrap Turnouts	Scrap	Ton	5			97 %	\$362	\$24,600
27	14	TOTAL TURNOUTS			70		\$67,500			\$92,100
GRAND TOTAL							\$9,810,500			\$11,940,800
										\$21,751,300

Notes Dollar amounts are rounded to the nearest hundred, tons to the nearest tenth, units to the nearest integer. Minor rounding errors due to significant digits (two versus three) 136, 132, 115, 113 AND 112 pound CWR is assumed to have fifty percent of the joint bars as regular jointed rail as most CWR is actually two 39 foot sticks welded together

Source Vendors, and RLBA estimates

Attachment C - Option 2
Gross Liquidation Value of Track Assets
Of the Central Oregon & Pacific Railroad - Coos Bay Branch
Between Danebo and Cordes, Oregon
Revised As of September 26, 2008

Miles	Fit	Scrap	Description	Condition	Quantity per mile	Unit	Total	Re-Useable			Scrap and Reroll			Grand Total (a+b)
								Percent	Unit	Value (a)	Percent	Unit	Value (b)	
RAIL:														
1 57			136 RE CWR	Fit #2	239 4	Ton	376	97	%	\$969				\$353,300
0 35			136 RE	Fit #2	239 4	Ton	84	97		969				78,800
		7 20	136 RE	Reroll	239 4	Ton	1,724							819,300
		0 48	136 RE	Scrap	239 4	Ton	115					97	%	\$819,300
1 34			132 RE CWR	Fit #2	232 3	Ton	311	97		969			358	39,900
1 33			132 RE	Fit #2	232 3	Ton	309	97		969				292,100
		10 01	132 RE	Reroll	232 3	Ton	2,324							290,400
		0 67	132 RE	Scrap	232 3	Ton	155					97	490	1,104,700
		0 20	131 RE	Reroll	230 6	Ton	46					97	358	53,800
		0 05	131 RE	Scrap	230 6	Ton	12					97	490	21,900
		0 16	130 RE	Reroll	228 8	Ton	37					97	358	4,000
		0 04	130 RE	Scrap	228 8	Ton	9					97	490	17,400
0 47			115 RE CWR	Fit #1	202 4	Ton	96	97		1125			358	3,200
0 24			115 RE CWR	Fit #2	202 4	Ton	48	97		1,028				104,900
		0 14	115 RE	Reroll	202 4	Ton	29						490	13,700
		0 09	115 RE	Scrap	202 4	Ton	19					97	358	6,700
		38 82	113 HF (J & CWR	Reroll	198 9	Ton	7,722					97	490	3,670,300
		9 71	113 HF	Scrap	198 9	Ton	1,931					97	358	670,400
0 83			112 RE CWR	Fit #2	197 1	Ton	164	97		1,023				162,300
6 23			112 RE	Fit #2	197 1	Ton	1,228	97		1,023				1,218,500
		26 80	112 RE	Reroll	197 1	Ton	5,281					97	490	2,510,200
		1 85	112 RE	Scrap	197 1	Ton	364					97	358	126,300
		2 44	110 RE	Reroll	193 6	Ton	472					97	490	224,500
		0 61	110 RE	Scrap	193 6	Ton	118					97	358	41,000
		3 51	90 RA	Reroll	158 4	Ton	555					97	490	264,000
		0 88	90 RA	Scrap	158 4	Ton	139					97	358	48,200
		0 54	85 Assorted	Reroll	149 6	Ton	80					97	490	38,100
		0 13	85 Assorted	Scrap	149 6	Ton	20					97	358	7,000
12 36		104 31	TOTAL RAIL								\$2,548,200		\$9,684,600	\$12,232,800

Attachment C - Option 2
Gross Liquidation Value of Track Assets
Of the Central Oregon & Pacific Railroad - Coos Bay Branch
Between Danebo and Cordes, Oregon
Revised As of September 26, 2008

Miles	Fit	Scrap	Description	Condition	Quantity per mile	Re-Useable			Scrap and Reroll		
						Unit	Percent	Value	Unit	Percent	Value
								(a)			(b)
											(a+b)
OTHER TRACK MATERIAL:											
12 36	104 31	Ties	Relay	Each	3,168	Each	17 %	\$13 00	\$807,700	53 %	\$807,700
12 36	104 31	Ties	Landscape	Each	3,168	Each			\$1,181,700		1,181,700
12 36	104 31	Ties	Scrap	Each	3,168	Each			(718,500)		(718,500)
4 59	18 60	Tie Plates 7 3/4 -14 DS	Relay	Each	6,336	Each	97	9 98	1,421,700	30	1,421,700
7 77	29 08	Tie Plates 7 1/2 -13 DS	Relay	Each	6,336	Each	97	9 50	2,151,500		2,151,500
0 00	48 53	Tie Plates 7 1/2 -12 DS	Relay	Each	6,336	Each	97	8 88	2,647,100		2,647,100
0 00	3 05	Tie Plates 7 1/2 -11 SS	Scrap	Ton	71 1	Ton				97	87,300
0 00	4 38	Tie Plates 90# SS	Scrap	Ton	53 1	Ton				97	93,700
0 00	0 67	Tie Plates 85# SS	Scrap	Ton	53 1	Ton				97	14,300
1 13		JL Bars 136#	Relay	Pair	271	Pair	97	56 00	16,700		16,700
2 00		JL Bars 132#	Relay	Pair	271	Pair	97	56 00	29,400		29,400
0 36		JL Bars 115#	Relay	Pair	271	Pair	97	55 00	5,100		5,100
6 65		JL Bars 112#	Relay	Pair	271	Pair	97	55 00	96,000		96,000
	5 67	JL Bars 136#	Scrap	Ton	10 5	Ton				95	23,500
	10 00	JL Bars 132#	Scrap	Ton	10 5	Ton				95	41,400
	0 25	JL Bars 131#	Scrap	Ton	10 5	Ton				95	1,000
	0 20	JL Bars 130#	Scrap	Ton	9 5	Ton				95	800
	0 12	JL Bars 115#	Scrap	Ton	9 5	Ton				95	400
	40 06	JL Bars 113#	Scrap	Ton	9 5	Ton				95	150,400
	33 23	JL Bars 112#	Scrap	Ton	9 5	Ton				95	124,800
	3 05	JL Bars 110#	Scrap	Ton	9 5	Ton				95	11,500
	4 38	JL Bars 90#	Scrap	Ton	8 9	Ton				95	15,400
	0 67	JL Bars 85#	Scrap	Ton	6 9	Ton				95	1,800
12 36		Rail Anchors	Relay	Each	2,978	Each	50	1 07	19,600		19,600
	104 31	Rail Anchors	Scrap	Ton	3 7	Ton				80	129,900
12 36	104 31	Spikes	Scrap	Ton	5 1	Ton				80	196,100
12 36	104 31	Bolts & Washers	Scrap	Ton	1 4	Ton				80	54,800
TOTAL OTHER TRACK MATERIAL								\$7,194,800			\$8,605,100
TURNOUTS:											
27	Fit	Turnouts	Fit	Each	1	Each	100 %	\$2,500	\$67,500		\$67,500
14	Scrap	Turnouts	Scrap	Ton	5	Ton			\$26,200		\$26,200
27	14	TOTAL TURNOUTS						\$67,500			\$93,700
GRAND TOTAL								\$9,810,500			\$11,121,100
											\$20,931,600

Notes Dollar amounts are rounded to the nearest hundred, tons to the nearest tenth, units to the nearest integer. Minor rounding errors due to significant digits (two versus three) 136, 132, 115, 113 AND 112 pound CWR is assumed to have fifty percent of the joint bars as regular jointed rail as most CWR is actually two 39 foot sticks welded together

Source Vendors, and RLBA estimates

**BEFORE THE
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WASHINGTON, DC**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR**

**REPLY SUPPLEMENTAL VERIFIED STATEMENT
OF
GENE A. DAVIS, P.E.**

EXHIBIT 2

ATTACHMENT H

Attachment H - Option 1
Track Material Unit Market Prices
Central Oregon & Pacific Railroad - Coos Bay Branch
Revised As of September 26, 2008

	Unit Prices Per		Comments
	Component	Net Tons	
Steel (Rail)			
Rail 136 pound per yard, Jointed, Fit #2		\$969	9/25/2008 Average of Menard's and A&K Materials
Rail 136 pound per yard, CWR, Fit #2		969	9/25/2008 Average of Menard's and A&K Materials
Rail 132 pound per yard, Jointed, Fit #2		969	9/25/2008 Average of Menard's and A&K Materials
Rail 132 pound per yard, CWR, Fit #2		969	9/25/2008 Average of Menard's and A&K Materials
Rail 115 pound per yard, CWR, Fit #1		1,125	9/25/2008 Average of Menard's and A&K Materials
Rail 115 pound per yard, CWR, Fit #2		1,028	9/25/2008 Average of Menard's and A&K Materials
Rail 112 pound per yard, Jointed, Fit #2		1,023	9/25/2008 Average of Menard's and A&K Materials
Rail 112 pound per yard, CWR, Fit #2		1,023	9/25/2008 Average of Menard's and A&K Materials
Rail Reroll*		545	9/26/2008 AMM
Rail Scrap*		277	9/26/2008 AMM
Steel (OTM)			
Scrap OTM*		447	9/26/2008 AMM
Tie Plates, D/S, 14" long, Fit	\$9.98		9/25/2008 Average of Menard's and A&K Materials
Tie Plates, D/S, 13" long, Fit	9.50		9/25/2008 Average of Menard's and A&K Materials
Tie Plates, D/S, 12" long, Fit	8.88		9/25/2008 Average of Menard's and A&K Materials
Joint Bars, 136/132/131 pound per yard, Fit	56.00		9/25/2008 Average of Menard's and A&K Materials
Joint Bars, 115/112 pound per yard, Fit	55.00		9/25/2008 Average of Menard's and A&K Materials
Anchors, Fit	1.07		9/25/2008 Average of Menard's and A&K Materials
Timber (Ties)			
Relay (ea)	13.00		9/25/2008 Menard's
Landscape (ea)	6.00		9/25/2008 Menard's
Scrap (ea)	(6 50)		9/25/2008 Menard's

Source American Metal Market, Menard's Railroad Materials and A&K Railroad Materials

Notes 1) * = Converted from AMM gross ton delivered price to price per net ton for consistency

2) Relay and landscape ties include sorting and handling

Attachment H - Option 2
Track Material Unit Market Prices
Central Oregon & Pacific Railroad - Coos Bay Branch
Revised As of September 26, 2008

	Unit Prices Per		Comments
	Component	Net Tons	
Steel (Rail)			
Rail 136 pound per yard, Jointed, Fit #2		\$969	Average of Menard's and A&K Materials
Rail 136 pound per yard, CWR, Fit #2		969	Average of Menard's and A&K Materials
Rail 132 pound per yard, Jointed, Fit #2		969	Average of Menard's and A&K Materials
Rail 132 pound per yard, CWR, Fit #2		969	Average of Menard's and A&K Materials
Rail 115 pound per yard, CWR, Fit #1		1,125	Average of Menard's and A&K Materials
Rail 115 pound per yard, CWR, Fit #2		1,028	Average of Menard's and A&K Materials
Rail 112 pound per yard, Jointed, Fit #2		1,023	Average of Menard's and A&K Materials
Rail 112 pound per yard, CWR, Fit #2		1,023	Average of Menard's and A&K Materials
Rail Reroll*		490	AMM
Rail Scrap*		358	AMM
Steel (OTM)			
Scrap OTM*		415	AMM
Tie Plates, D/S, 14" long, Fit	\$9.98		Average of Menard's and A&K Materials
Tie Plates, D/S, 13" long, Fit	9.50		Average of Menard's and A&K Materials
Tie Plates, D/S, 12" long, Fit	8.88		Average of Menard's and A&K Materials
Joint Bars, 136/132/131 pound per yard, Fit	56.00		Average of Menard's and A&K Materials
Joint Bars, 115/112 pound per yard, Fit	55.00		Average of Menard's and A&K Materials
Anchors, Fit	1.07		Average of Menard's and A&K Materials
Timber (Ties)			
Relay (ea)	13.00		Menard's
Landscape (ea)	6.00		Menard's
Scrap (ea)	(6.50)		Menard's

Source American Metal Market, Menard's Railroad Materials and A&K Railroad Materials

Notes 1) * = Converted from AMM gross ton delivered price to price per net ton for consistency

2) Relay and landscape ties include sorting and handling

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WASHINGTON, DC**

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BETWEEN DANEBO AND CORDES, OR**

**REPLY SUPPLEMENTAL VERIFIED STATEMENT
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EXHIBIT 2

ATTACHMENT J

Attachment J
Suslaw River Bridge Removal Costs
Central Oregon & Pacific Railroad - Coos Bay Branch
Revised As of September 26, 2008

Process	Number	Unit	Cost	Subtotal	Total	Comments
Permits	0	LS	\$473,914	\$237,000		Dana Siegfried R V S (note 2)
Mobilization	1	LS	76,510	76,500		Staton Estimate - Original
Steel Spans (note 3)	1	LS	438,605	438,600		Staton Estimate - Original
Wood Spans	1	LS	26,430	26,400		Staton Estimate - Original
Pile Removal (Revised)	1	LS	300,000	300,000		Staton Estimate - Revised
Pier Removal	1	LS	104,660	104,700		Staton Estimate - Original
Engineering (includes Plans)	1	LS	50,000	50,000		Staton Estimate - Revised
Diver Verifications (note 4)	1	LS	0	0		Staton Estimate - Original
Wood Trestle Over Wet Land	1	LS	821,360	821,400		Staton Estimate - Original
Bridge Over Roads/Highways	1	LS	131,340	131,300		Staton Estimate - Original
Cofferdam/De-water	1	LS	750,000	750,000		Staton Estimate - Revised
Wetland Protection	1	LS	128,000	128,000		Staton Estimate - Revised
Lead Abatement (note 5)	3	EA	50,000	150,000		RLBA Estimate
			Subtotal Removal Costs = (\$3,213,900)			
Proceeds from sale of scrap steel (note 6)	1,056	TON	0	0		
Shipping costs - steel to Chicago	1,056	TON	0	0		
Shipping costs - concrete to disposal facility (note 7)	1,203	TON	0	0		
Shipping costs - wood to disposal facility (note 8)	1,650	TON	0	0		
			Net proceeds from materials =			
				\$0		
				Total = (\$3,213,900)		

Notes 1) LS = Lump Sum, Costs rounded to the nearest hundred dollars

2) Dana Siegfried R V S

3) Assume lead coating on steel spans

4) RLBA zeroed out the diver verification line item due to the use of cofferdams

5) RLBA estimated lead abatement per truss span at \$50,000 each after reviewing the Dana Siegfried R V S

6) RLBA zeroed out this area from the prior R V S NLV calculations due to the proceeds are accounted for in the Staton cost estimate (total removal)

7) RLBA zeroed out this area from the prior R V S NLV calculations due to the costs are accounted for in the Staton cost estimate (total removal)

8) RLBA zeroed out this area from the prior R V S NLV calculations due to the costs are accounted for in the Staton cost estimate (total removal)

Source Staton Companies Original and Revised Bridge Estimate, RLBA estimates

**BEFORE THE
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**OREGON INTERNATIONAL PORT OF COOS BAY
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**REPLY SUPPLEMENTAL VERIFIED STATEMENT
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GENE A. DAVIS, P.E.**

EXHIBIT 2

ATTACHMENT K

Attachment K
Umpqua River Bridge Removal Costs
Central Oregon & Pacific Railroad - Coos Bay Branch
Revised As of September 26, 2008

Process	Number	Unit	Cost	Subtotal	Total	Comments
Permits	0	5	LS	\$237,000		Dana Siegfried R V S (note 2)
Mobilization	1	LS	76,510	76,500		Staton Estimate - Original
Steel Spans (note 3)	1	LS	865,550	865,600		Staton Estimate - Original
Wood Spans	1	LS	36,308	36,300		Staton Estimate - Original
Pile Removal (Revised)	1	LS	300,000	300,000		Staton Estimate - Revised
Pier Removal	1	LS	281,062	281,100		Staton Estimate - Original
Engineering (includes Plans)	1	LS	50,000	50,000		Staton Estimate - Revised
Diver Verifications (note 4)	1	LS	0	0		Staton Estimate - Original
Wood Trestle Over Wet Land	1	LS	0	0		Staton Estimate - Original
Bridge Over Roads/Highways	1	LS	11,000	11,000		Staton Estimate - Original
Cofferdam/De-water	1	LS	1,700,000	1,700,000		Staton Estimate - Revised
Wetland Protection	1	LS	0	0		Staton Estimate - Revised
Water @ 30 ' deep	1	LS	437,000	437,000		Staton Estimate - Revised
Lead Abatement (note 5)	11	EA	50,000	550,000		RLBA Estimate
Subtotal Removal Costs = (\$4,544,500)						
Proceeds from sale of scrap steel (note 6)	2,400	TON	0	0		
Shipping costs - steel to Chicago	2,400	TON	0	0		
Shipping costs - concrete to disposal facility (note 7)	3,360	TON	0	0		
Shipping costs - wood to disposal facility (note 8)	191	TON	0	0		

Net proceeds from scrap steel = \$0

Total = (\$4,544,500)

Notes 1) LS = Lump Sum, Costs rounded to the nearest hundred dollars

2) Dana Siegfried R V S

3) Assume lead coating on steel spans

4) RLBA zeroed out the diver verification line item due to the use of cofferdams

5) RLBA estimated lead abatement per truss span at \$50,000 each after reviewing the Dana Siegfried R V S

6) RLBA zeroed out this area from the prior R V S NLV calculations due to the proceeds are accounted for in the Staton cost estimate (total removal)

7) RLBA zeroed out this area from the prior R V S NLV calculations due to the costs are accounted for in the Staton cost estimate (total removal)

8) RLBA zeroed out this area from the prior R V S NLV calculations due to the costs are accounted for in the Staton cost estimate (total removal)

Source Staton Companies Original and Revised Bridge Estimate, RLBA estimates

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EXHIBIT 2

ATTACHMENT P

AMM SCRAP IRON AND STEEL PRICES

Prices assessed on Friday, September 26, 2008

CONSUMER BUYING PRICES

Estimated domestic consumer buying prices in US\$/gross ton; delivered mill price.

	Birmingham	Carrollton	Chicago	Cleveland	Detroit	Houston	N.Y.	Pittsburgh	Portland	St. Louis	Youngstown	Hamden, Conn.	Montreal
No. 1 heavy melt	240	235	238	250	225	225	230	230	159-161	270	235	235	210
No. 2 heavy melt	240	235	238	250	225	225	230	230	159-161	270	235	235	210
No. 1 bundles	200	200	205	210	200	200	200	200	140-142	225	225	225	NA
No. 2 bundles	200	200	205	210	200	200	200	200	140-142	225	225	225	NA
No. 1 factory bundles	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shredded auto scrap	280	280	280	280	280	280	280	280	280	280	280	280	280
MACHINE SHOP TURNINGS	280	280	280	280	280	280	280	280	280	280	280	280	280
Shredding turnings	250	250	250	250	250	250	250	250	250	250	250	250	250
Cold iron turnings	250	250	250	250	250	250	250	250	250	250	250	250	250
Mixed turnings, iron/steel	250	250	250	250	250	250	250	250	250	250	250	250	250
CUT STRUCTURAL PLATE, 2" MAX.	310	310	310	310	310	310	310	310	310	310	310	310	310
Cut structural plate, 2" max.	310	310	310	310	310	310	310	310	310	310	310	310	310
Cut structural plate, 2" max.	310	310	310	310	310	310	310	310	310	310	310	310	310
CIPOLA CAST	310	310	310	310	310	310	310	310	310	310	310	310	310
Clean auto cast	310	310	310	310	310	310	310	310	310	310	310	310	310
Unwelded auto blocks	310	310	310	310	310	310	310	310	310	310	310	310	310
Heavy machine cast	310	310	310	310	310	310	310	310	310	310	310	310	310
Drop broken machinery cast	310	310	310	310	310	310	310	310	310	310	310	310	310
NO. 1 (BA) HEAVY MELT	280	280	280	280	280	280	280	280	280	280	280	280	280
Rail cross, 2" max.	280	280	280	280	280	280	280	280	280	280	280	280	280
Random mill	280	280	280	280	280	280	280	280	280	280	280	280	280
Steel car wheels	280	280	280	280	280	280	280	280	280	280	280	280	280
Other track material (BOLTS)	280	280	280	280	280	280	280	280	280	280	280	280	280
CLEAN USED DOMESTIC CARS	280	280	280	280	280	280	280	280	280	280	280	280	280
(a) Appraisal prices													
(b) Not available													

STAINLESS STEEL SCRAP

	Boston	Butte	Chicago	Cleveland	Detroit	Houston	L.A.	N.Y.	Pittsburgh	S.F.	Montreal
316 solids, clips	114-115	114-115	115-116	115-116	115-116	115-116	114-115	115-116	115-116	114-115	110-111
304 solids, clips	109-110	109-110	110-111	110-111	110-111	110-111	109-110	110-111	110-111	109-110	107-108
304 turnings	64-65	64-65	65-66	65-66	65-66	65-66	64-65	65-66	65-66	64-65	61-62
430 new clips	70-71	70-71	71-72	71-72	71-72	71-72	70-71	71-72	71-72	70-71	67-68
316 solids, clips	114-115	114-115	115-116	115-116	115-116	115-116	114-115	115-116	115-116	114-115	110-111
304 solids, clips	109-110	109-110	110-111	110-111	110-111	110-111	109-110	110-111	110-111	109-110	107-108
304 turnings	64-65	64-65	65-66	65-66	65-66	65-66	64-65	65-66	65-66	64-65	61-62
430 new clips	70-71	70-71	71-72	71-72	71-72	71-72	70-71	71-72	71-72	70-71	67-68
BROKEN/PROCESSOR BUYING PRICES (\$/gross ton)											
316 solids, clips	—	—	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	—	3,300-3,350	3,300-3,350	—	—
304 solids, clips	—	—	2,025-2,050	2,025-2,050	2,025-2,050	2,025-2,050	—	2,025-2,050	2,025-2,050	—	—
304 turnings	—	—	1,825-1,850	1,825-1,850	1,825-1,850	1,825-1,850	—	1,825-1,850	1,825-1,850	—	—
430 turnings	—	—	650-670	650-670	650-670	650-670	—	650-670	650-670	—	—
430 turnings	—	—	550-570	550-570	550-570	550-570	—	550-570	550-570	—	—
430 turnings	—	—	470-490	470-490	470-490	470-490	—	470-490	470-490	—	—
(a) Appraisal prices											

EXPORT YARD BUYING PRICES

Estimated prices an export dealer, broker or processor will pay for items delivered to his yard, in US\$/gross ton.

	Boston	L.A.	N.Y.	Pittsburgh	S.F.
No. 1 heavy melt	220	240	240	240	240
No. 2 heavy melt	220	240	240	240	240
No. 1 bundles	190-195	200	200	200	200
No. 2 bundles	190-195	200	200	200	200
No. 1 factory bundles	190-195	200	200	200	200
Shredded auto scrap	220	240	240	240	240
Auto scrap	220	240	240	240	240
Unwelded auto blocks	220	240	240	240	240
Auto scrap	220	240	240	240	240
NO. 1 (BA) HEAVY MELT	220	240	240	240	240
304 turnings	1,825-1,850	1,825-1,850	1,825-1,850	1,825-1,850	1,825-1,850
430 turnings	650-670	650-670	650-670	650-670	650-670
(a) Appraisal prices					

BROKER BUYING PRICES

Estimated prices in US\$/gross ton, L.A. car

	Atlanta	Boston	Butte	Cleveland	Detroit
No. 1 heavy melt	240	240	240	240	240
No. 2 heavy melt	240	240	240	240	240
No. 1 bundles	200	200	200	200	200
No. 2 bundles	200	200	200	200	200
No. 1 factory bundles	200	200	200	200	200
Shredded auto scrap	280	280	280	280	280
MACHINE SHOP TURNINGS	280	280	280	280	280
Shredding turnings	250	250	250	250	250
Cold iron turnings	250	250	250	250	250
Mixed turnings, iron/steel	250	250	250	250	250
CIPOLA CAST	310	310	310	310	310
Clean auto cast	310	310	310	310	310
Unwelded auto blocks	310	310	310	310	310
Heavy machine cast	310	310	310	310	310
Drop broken machinery cast	310	310	310	310	310
Rail cross, 2" max.	280	280	280	280	280
Random mill	280	280	280	280	280
Steel car wheels	280	280	280	280	280
Other track material (BOLTS)	280	280	280	280	280
CLEAN USED DOMESTIC CARS	280	280	280	280	280
(a) Appraisal prices					

*L.A. (five on board at the shipping point) from dealer to broker where freight rate is absorbed by broker; freight rate based on single-car shipments.

Scrap Price Changes Today
Ferrous scrap price changes were made for these cities: None

STAINLESS CONSUMER BUYING PRICES

	(Gross ton) Pittsburgh
316 solids, clips	3,300-3,350
304 solids, clips	2,250-2,275
304 turnings	1,800-1,825
430 turnings	780-800
430 turnings	710-730
430 turnings	680-690
430 turnings	580-600

ADDITIONAL GRADES

	Pittsburgh
Electric furnace, 3" max.	300
Cut structural plate, 3" max.	310
Slow plate	530
No. 1 industrial heavy melt	330
Rail cross, 12" max.	605
Random mill	625
Steel car wheels	600
Heavy large bar crops	470
Slow plate, 12" max.	450
Ponding and plate, 12" max.	625
No. 1H bundles	500

Disclaimer
Prices and other information contained in this publication have been obtained by American Metal Market (AMM) from sources believed to be reliable. Pricing information is collected through regular contacts with producers, traders and processors, and represents an approximate indication of current levels based upon changes in any of the above listed items. AMM does not warrant the accuracy or completeness of any published information. AMM is not responsible for errors or omissions, or for the results obtained by the use of such information, and declines any liability for any damages or losses caused by such errors or omissions, including those arising from the negligence of AMM, its employees or representatives.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR**

**REPLY SUPPLEMENTAL VERIFIED STATEMENT
OF
GENE A. DAVIS, P.E.**

EXHIBIT 2

ATTACHMENT Q

Gene Davis

From: Bob Menard [bob@menardsrail.com]
Sent: Thursday, September 25, 2008 6:03 PM
To: Gene Davis
Cc: manny@menardsrail.com
Subject: Northwest Project
Attachments: GeneDavis sept 25, 2008.xls

Gene, Here is the quote you ask for, see attached estimated cost, this is what the material would cost as of Sept 25, 2008.

Gene it was also great meeting you and hope we can assist you on many other projects, we would like the opportunity to also be able to purchase railroads, and takeups, if you come across any of these opportunities please feel free to call or email us.

Best Regards; Bobby

NOTICE!!!!!! Email Address has Changed
Robert Menard
Menard's Railroad Materials
7722 Trophy Place Drive
Humble, Texas 77346
281 850 9919 (Cell)
281 812 3404 Office
832 550 2610 (fax)
bob@menardsrail.com

9/29/2008

Track Material Unit Market Prices
Revised As of September 25, 2008

	<u>Estimated Volume</u>	<u>Unit Prices Per</u>		<u>Comments</u>
		<u>Component</u>	<u>Net Ton</u>	
Steel (Rail)				
Rail 136 pound per yard, Jointed, Fit #2	84		\$850	
Rail 136 pound per yard, CWR, Fit #2	376		850	
Rail 132 pound per yard, Jointed, Fit #2	309		850	
Rail 132 pound per yard, CWR, Fit #2	311		850	
Rail 115 pound per yard, CWR, Fit #1	96		1000	
Rail 115 pound per yard, CWR, Fit #2	48		895	
Rail 112 pound per yard, Jointed, Fit #2	1,228		895	
Rail 112 pound per yard, CWR, Fit #2	164		895	
Tie Plates, D/S, 14" long, Fit (6" base)	146,932	\$8.95		
Tie Plates, D/S, 13" long, Fit (5-1/2" base)	233,482	8.50		
Tie Plates, D/S, 12" long, Fit (5-1/2" base)	307,486	7.75		
Joint Bars, 136/132/131 pound per yard, Fit (pair)	848	55.00		
Joint Bars, 115/112 pound per yard, Fit (pair)	1,895	55.00		
Anchors, Fit	36,815	1.03		
Timber (Ties)				
Relay (ea)	62,835	13.00		
Landscape (ea)	195,897	6.00		
Scrap (ea)	110,880	(6.50)		

Source Menard's Railroad Materials